This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

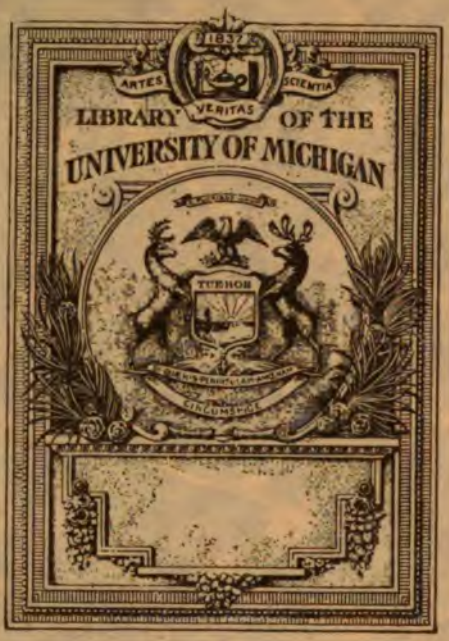
+ *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
+ *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
+ *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
+ *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at `http://books.google.com/`

B 439376 DUPL

Digitized by Google



Digitized by Google

Digitized by Google

Digitized by Google

HF
1756
.A3
1909
Cop. 2

Digitized by Google

Digitized by Google

Digitized by Google

Digitized by Google

U.S. Congress. House. Committee on Ways and Means. 8331-

TARIFF HEARINGS

BEFORE THE COMMITTEE ON WAYS AND MEANS
OF THE HOUSE OF REPRESENTATIVES

SIXTIETH CONGRESS

1908-1909

VOL. III

SCHEDULE C (continued)—Metals, and Manufactures of
SCHEDULE D—Wood, and Manufactures of
SCHEDULE E—Sugar, Molasses, and Manufactures of

WASHINGTON
GOVERNMENT PRINTING OFFICE
1909

Digitized by Google

COMMITTEE ON WAYS AND MEANS.

HOUSE OF REPRESENTATIVES.

SERENO E. PAYNE, *Chairman.*

JOHN DALZELL.
SAMUEL W. McCALL.
EBENEZER J. HILL.
HENRY S. BOUTELL.
JAMES C. NEEDHAM.
WILLIAM A. CALDERHEAD.
JOSEPH W. FORDNEY.
JOSEPH H. GAINES.
ROBERT W. BONYNGE.
NICHOLAS LONGWORTH.
EDGAR D. CRUMPACKER.
CHAMP CLARK.
WILLIAM BOURKE COCKRAN.
OSCAR W. UNDERWOOD.
D. L. D. GRANGER.
JAMES M. GRIGGS.
EDGAR W. POU.
CHOICE B. RANDELL.

WILLIAM K. PAYNE, *Clerk.*

Digitized by Google

TABLE OF CONTENTS.

Volume I: Page.

Members of Committee on Ways and Means, 60th and 61st Congresses II

Preface III

Remarks by the Chairman V

Schedule A—Chemicals, Oils, and Paints 1- 579

Schedule B—Earths, Earthenware, and Glassware 581-1044

Volume II:

Schedule B (continued)—Earths, Earthenware, and Glassware .. 1045-1310

Schedule C—Metals, and Manufactures of 1311-2170

Volume III:

Schedule C (continued)—Metals, and Manufactures of 2171-2834

Schedule D—Wood, and Manufactures of 2835-3248

Schedule E—Sugar, Molasses, and Manufactures of 3249-3513

Volume IV:

Schedule F—Tobacco, and Manufactures of 3515-3604

Schedule G—Agricultural Products and Provisions 3605-4333

Schedule H—Spirits, Wines, and Other Beverages 4335-4452

Schedule I—Cotton, and Manufactures of 4453-4636

Volume V:

Schedule J—Flax, Hemp, and Jute, and Manufactures of 4637-4976

Schedule K—Wool, and Manufactures of 4977 5767

Volume VI:

Schedule L—Silks, and Silk Goods 5769 5876

Schedule M—Pulp, Papers, and Books 5877 6389

Schedule N—Sundries 6391-6790

Volume VII:

Schedule N (continued)—Sundries 6791-7339

Free List and Miscellaneous 7341-7739

Volume VIII:

Appendix 7741-8425

Volume IX:

General Index.

Digitized by Google

Digitized by Google

SCHEDULE C.

(Continued.)

METALS, AND MANUFACTURES OF.

Digitized by Google

Digitized by Google

SCISSORS.

[Paragraph 153.]

HON. RICHARD WAYNE PARKER, M. C., SUBMITS LETTER OF C. J. WISS, NEWARK, N. J., RELATIVE TO SCISSORS.

WASHINGTON, D. C., *January 8, 1909.*

COMMITTEE ON WAYS AND MEANS,
House of Representatives.

GENTLEMEN: I beg to submit for your consideration letter from Frederick C. J. Wiss, president of the J. Wiss & Sons Company, of Newark, N. J., manufacturers of shears, scissors, razors, and cutlery of different kinds, in regard to the effect upon that industry of a revision of the tariff in certain particulars, stating that the scissors industry now requires fully as much protection as is afforded by present schedules, and that to encourage the making of small scissors the tariff should be materially increased; that they have never been able to successfully compete with the line of small scissors, of which great quantities are imported, and that what little effort they make in this line is more of a fad than a paying proposition.

It is likewise urged that if the tariff should be reduced upon articles which they manufacture it would certainly call out a great many of their present employees, and attention is called to the fact that the average rate on scissors is between 50 and 60 per cent, while on almost all other cutlery it ranges from 75 to 90 per cent, or even 100 per cent, in spite of the fact that, as is generally recognized in the trade, the making of scissors is a great deal more particular and more difficult than is the manufacturing of any other line of cutlery.

I have pleasure in forwarding this letter to you. The J. Wiss & Sons Company has the highest reputation as manufacturers of cutlery, and their character is esteemed by the business community in which they are situated, and I know that any representations that they make are to be fully relied upon in every respect.

Very respectfully,

RICHARD WAYNE PARKER.

NEWARK, N. J., *January 7, 1909.*

Hon. R. WAYNE PARKER,
House of Representatives,
Washington, D. C.

DEAR SIR: In view of the agitation of tariff revision we take the liberty to inquire if you can give us any suggestion as to the best way to protect our interests.

As explained to you when at our works the scissors industry requires protection fully as great as on the present schedules, and to encourage the making of small scissors the tariff should be materially increased. We have never been able to successfully compete with the line of small scissors of which great quantities are imported. We are doing a little in this line, but so very little that it is more of a fad than a paying proposition.

Should the tariff be reduced in any way it would certainly call out a great many of our present employees. The average rate on scissors

61318—SCHED C, PT 2—09——1

Digitized by Google

is between 50 and 60 per cent, while on almost all other cutlery it ranges from 75 to 90 per cent, or even 100 per cent, and the trade as a general rule recognizes that the making of scissors is a great deal more particular and more difficult than that of making any other line of cutlery.

Thanking you in advance for any suggestions you can furnish on this matter, we remain,

Yours, very truly,

J. WISS & SONS CO.,
Per FREDERICK C. J. WISS.

KNIVES AND PLIERS.

[Paragraphs 153 and 193.]

HON. J. S. FASSETT, M. C., SUBMITS CORRESPONDENCE WITH THE CRONK & CARRIER MANUFACTURING COMPANY, ELMIRA, N. Y., RELATIVE TO PLIERS AND KNIVES.

JANUARY 8, 1909.

Hon. S. E. PAYNE, M. C.,
Chairman of the Committee on Ways and Means,
House of Representatives.

MY DEAR CONGRESSMAN: I beg to inclose herewith for the consideration of your committee a letter from the Cronk & Carrier Manufacturing Company, Elmira, N. Y., making certain suggestions with respect to the necessity of change in the present law regarding the stamping of the place of manufacture on imported goods.

This concern is composed of high-class gentlemen, and their suggestions strike me as good ones and worthy of the consideration of your committtee, which I know they will receive. I have asked this company to submit a brief to your committee on the subject of the proposed increases in the cutlery duties, which it mentions.

Your, very truly,

J. S. FASSETT.

ELMIRA, N. Y., *December 26, 1908.*

Hon. J. S. FASSETT, M. C.,
Washington, D. C.

MY DEAR MR. FASSETT: As you can do more with the Ways and Means Committee in a minute than we could do in a week, we will ask you to kindly see that the tariff on pliers of all kinds from Germany is raised to about 45 per cent. We think the present tariff is about 30 per cent, but we can not make the goods at the price the Germans are selling them in this country, and we would like to be in a position where they will not cost us any more than the German goods cost laid down in this country. On an equal basis we could get our share of the business, but with the present tariff it is impossible to compete. On the balance of our line the tariff is all right with the exception of a cheap two-blade pocketknife, one that the Germans are selling in this country at $1.30, which costs us about $1.65 to make. On the balance of the line we can compete. The

Digitized by Google

law is that all goods shall be stamped "made in Germany." The goods are brought into this country so stamped, but after arriving the stamp is ground off in such a manner that there is nothing to show where the goods were made, and they are being sold as if made in America. We think the law should be changed to make it a criminal offense to grind the name off on any goods where the law specifies that the goods must be stamped as made in the country they are shipped from.

Sincerely, yours,

THE CRONK & CARRIER MFG. CO.,
By C. F. CARRIER, *President.*

ELMIRA, N. Y., *December 30, 1908.*

Hon. J. S. FASSETT,
House of Representatives, Washington, D. C.

MY DEAR MR. FASSETT: I note in yours of the 28th that you say it will be hard to lift any rates. I had understood that it was proposed to revise the tariff, making rates higher where they were needed and lower where it could be done without injury to business in this country, and not that a revision was necessarily a reduction. I believe Mr. Payne will so understand it, and hope that you can obtain the change we suggested.

Thanking you for past favors, we are,

Very truly, yours,

THE CRONK & CARRIER MFG. CO.,
By C. F. CARRIER, *President.*

TABLE CUTLERY.

[Paragraph 155.]

HON. EDWIN DENBY, M. C., SUBMITS LETTER OF THE NATIONAL CUTLERY COMPANY, DETROIT, MICH., RELATIVE TO TARIFF ON HOUSEHOLD KNIVES.

DETROIT, MICH., *December 23, 1908.*

Hon. EDWIN DENBY, M. C.,
Washington, D. C.

DEAR SIR:

* * * * * * *

We are interested as to whether there will be any reduction in the tariff on foreign cutlery. We still find foreign manufacturers able to pay the present duties on butcher and household knives and undersell us on both high-grade and cheap goods. We do not think that the present tariff is any too high on cutlery, and although the writer is not aware of any concerted action on the part of the cutlery manufacturers to appear before the tariff commission of the House, we are satisfied that any reduction of the tariff on cutlery would be detriment to our business; in fact, it would be impossible for us to make a profit on our goods if we had to meet foreign competition through any reduction of the tariff. If there is any data you would like to

Digitized by Google

have, such as present prices, costs, etc., we would be pleased to send the same on to you.

Thanking you for any efforts you will put forward on any of these projects, we are,

Sincerely, yours,

NATIONAL CUTLERY COMPANY,
Per H. D. HADENFELDT, *Manager.*

THE HARRINGTON CUTLERY CO., SOUTHBRIDGE, MASS., URGES RETENTION OF PRESENT DUTIES ON TABLE CUTLERY.

SOUTHBRIDGE, MASS., *November 20, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: Concerning Harrington Cutlery Company, Southbridge, Mass.: Capital stock, $30,000; number of hands, 50; wages and salaries, $30,000; sales at home, $60,000; sales abroad, $4,000; originally established in 1818; continued, by individuals and partnerships (in Harrington name), in a small way, until 1902, when present company was incorporated; growth at present being very rapid.

Schedule C, paragraph 155, interests us, and we very strongly urge that present rate be maintained, in order that we may continue present standard of wages. Some grades of cutlery manufactured by us would be entirely eliminated should rates on same be reduced.

We respectfully ask your favorable consideration.

Yours, very truly,

HARRINGTON CUTLERY COMPANY,
CHAS. D. HARRINGTON, *Treasurer.*

REPRESENTATIVES OF AMERICAN MANUFACTURERS SUGGEST A MAXIMUM AND MINIMUM FOR TABLE CUTLERY.

NEW BRITAIN, CONN., *December 2, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The manufacturers of table cutlery respectfully submit for your consideration that their total sales in 1896 were approximately $2,000,000; in 1906, $3,000,000.

That they have no trust, combination, or agreement as to selling prices.

That their total capitalization is $2,500,000, much less than the actual amount invested.

That on this capitalization in the last ten years dividends have not averaged over 6 per cent.

That selling prices on their entire output are from 10 per cent to 20 per cent lower than in 1896.

That 70 per cent of the cost of production is labor.

Digitized by Google

The margin of profit being, as above shown, small, no serious reduction in selling prices to meet foreign competition can be made except largely at the expense of the wage-earners.

In the endeavor to meet the committee's views we submit for consideration a schedule which shows substantial reductions through the entire list, both on specific and ad valorem duties, and on common knives and forks, which represent in dollars one-third at least of the entire production of the trade, the reduction is from 45 per cent to 25 per cent ad valorem. More than this this industry can not stand without serious detriment.

We earnestly urge a minimum and maximum tariff in place of the present reciprocity treaty with Germany, which puts a premium upon undervaluation and leaves us powerless to prevent it. If such be adopted, the duties here submitted should be fixed as the minimum rates.

Table, butcher, carving, cooks', hunting, kitchen, bread, butter, vegetable, fruit, pie, cheese, plumbers', painters', pallet, artists', and shoe knives, forks, and steels, finished or unfinished.

	Each.	Present rate.
	Cents.	*Cents.*
With handles of mother-of-pearl, shell, or ivory	14	16
With handles of deerhorn	10	12
With handles of hard rubber, solid bone, celluloid, or any pyroxylin material	4	5
With handles of any other material than those above mentioned, except as below noted	1	1½

In addition, on all the above articles, 15 per cent ad valorem, provided that none of the above-named articles shall pay a duty of less than 40 per cent ad valorem.

Table knives and forks, commonly called "scale tang," with riveted handles of cocobolo, ebony, or bone, 25 per cent ad valorem.

Blades, handles, or other parts of either or any of the above articles imported in any other manner than hafted shall pay a duty of 50 per cent ad valorem.

This last paragraph is to prevent blades and handles being imported, as now, at a low rate of duty and being put together here, obviously taking advantage of the obscurity of the present bill to avoid payment of proper duties.

The steel parts, we are advised, now come in under paragraph 135, under the clause "steel in all forms and shapes not specifically provided for," at so much per pound. We can not find at what rate the handles are dutiable at present. In our opinion, the duty should be made so high on goods imported in parts that the goods themselves come in in a finished condition in their proper class.

C. F. SMITH,
H. A. CURTISS,
Committee Representing Manufacturers of Table Cutlery.

Digitized by Google

FILES AND RASPS.

[Paragraph 156.]

STATEMENT OF SAMUEL M. NICHOLSON, PRESIDENT OF THE NICHOLSON FILE COMPANY, OF PROVIDENCE, R. I., RELATIVE TO FILES AND THEIR PRICES.

FRIDAY, *January 15, 1909.*

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Nicholson, you live in Providence, R. I.?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. And are connected with the file manufacturing business. Will you please give us the name of your company?

Mr. NICHOLSON. The Nicholson File Company, of Providence, R. I.; and I occupy the position of president.

The CHAIRMAN. Is that a corporation?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. You have been engaged in the business of manufacturing files for how long?

Mr. NICHOLSON. Do you mean individually; myself?

The CHAIRMAN. Yourself; yes, sir.

Mr. NICHOLSON. Personally since 1878.

The CHAIRMAN. But the corporation, I suppose, is older than that, or the firm preceding it?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. Mr. Herbert E. Miles appeared before the committee on the 11th of December, and made a statement concerning an invoice of files which he said was a copy of the original, and showing a bill for files manufactured here and sold abroad, where, according to the statement, the price made for export was $193.28, and the duty on the invoice, if those files had been imported into the United States, or similar files had been imported, would have been $248.75. The inventory is here in the hearings, and you may look it over if you have not seen Mr. Miles's statement.

Mr. NICHOLSON. I saw a clipping from the New York Herald published the next day.

The CHAIRMAN. It was published in the New York Herald?

Mr. NICHOLSON. I think so.

The CHAIRMAN. Do you know anything about that invoice?

Mr. NICHOLSON. Not that particular invoice, no, sir; and it is, perhaps, quite a long story.

The CHAIRMAN. Please give us the story, then; give us the facts in relation to it.

Mr. NICHOLSON. This company was incorporated in 1864, and up to 1891 we confined the entire marketing of our product to America. Since 1891 we have endeavored to get a portion of the world's trade. In seeking that trade we have met conditions as we have found them, varying in the different countries of the world. The standard list—all files are sold on a price list—is the old Sheffield list, which seems to be in universal use throughout the world outside of the United States. That list was adopted by the Sheffield File Manufacturers' Association in 1872, and made up on a basis largely of hand work, the cost of hand work, and it never has been changed. Now, in order to introduce our files we have to sell on that list, which is not at all

Digitized by Google

consistent with the American cost, at all events, of files; in other words, some files on that list that we are obliged to furnish may go into a man's store in Hongkong or in Birmingham or anywhere else; and some of the files on that list would figure out as Mr. Miles has undoubtedly stated. And where it appears to the advantage of the dealer or jobber to discriminate in his purchases—that is, to buy from us a certain line that will be to his decided advantage—why, the duty would figure out probably in the neighborhood of what Mr. Miles has said, although I think his statement is a little confusing in that he, as I understood it, said the price to domestic consumer for this invoice was 40 per cent more than the price for export. Now, there is a wide variation——

The CHAIRMAN. I did not quite get your last statement.

Mr. NICHOLSON. His statement as I read it was, that the price charged this exporter on the particular bill that he submitted showed 40 per cent higher price paid by a consumer in this country than the price charged the export commission house. Now, there is a wide difference between purchasers——

The CHAIRMAN. Here is his statement. [Reads:]

They are of 26 different lengths and sizes. The price to the domestic consumer on this invoice is $274.90, or 40 per cent more than the price for export. This could be verified very easily if the committee would investigate what is called the file trust, the Nicholson File Company, who are said to control the entire file business of the United States.

That is his statement about the cost.

Mr. NICHOLSON. Yes, sir; the jobber who buys those files on the other side at this price resells to the dealer, and the dealer resells them to the consumer. There are two margins of profit. The consumer in this country is not supposed to buy as low as first hand. There may be exceptions to that, like the large railroads or the Government. But as a rule the consumer does not expect to buy his supplies at as low a price as the large distributer.

Now, there is another factor that enters into that. When we started to develop our export business, we found at that time that there was a variation in the selling prices of American files, ranging anywhere from 20 to 30 per cent; that is, the concern that had produced standard files for a term of years, and had produced more good high-grade product, and thereby had earned a reputation with the consumer, his files were called for, and the dealer had to keep them; and it made a difference in price which gradually grew, as I say, to a difference of 25 to 30 per cent between his goods and those made by his competitor. Perhaps I did not make myself clear, but it is all reputation, due to production for years of superior quality.

The CHAIRMAN. Right there, when you sell files abroad, who do you sell them to?

Mr. NICHOLSON. The largest distributers. We sell direct.

The CHAIRMAN. The largest distributers abroad? Do you sell them in wholesale quantities when you sell abroad, and you give them wholesale prices?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. And when you sell files here, to whom do you sell them? Do you sell them to the large distributers and to the small dealers?

Digitized by Google

Mr. NICHOLSON. Not to the small dealers as a rule. We do not cater to that trade.

The CHAIRMAN. Then you sell to the large distributers here?

Mr. NICHOLSON. To the large distributers here.

The CHAIRMAN. Then, so far as the class of people who buy is concerned, it is similar in both countries?

Mr. NICHOLSON. No, sir; because in this country, due to the competition which we have absorbed from time to time—certain competition—we found those factories selling to large consumers and to medium consumers. Those particular files had a certain reputation, and were called for, and we continued to supply those, meeting the same conditions that we encountered.

The CHAIRMAN. You have a regular price list, I believe, Mr. Nicholson?

Mr. NICHOLSON. We have a regular price list here in America.

The CHAIRMAN. Does that run through a good many years?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. And the price per dozen varies according to the length of a file of a similar class?

Mr. NICHOLSON. The length and the grade. Mr. Chairman, there are 3,500 varieties of files.

The CHAIRMAN. Is that all?

Mr. NICHOLSON. Carried in stock. We probably make 6,500 varieties of files to meet the demands.

The CHAIRMAN. Have you a catalogue of prices that cover the total product?

Mr. NICHOLSON. I have not a catalogue, but I have a few files here; and I have a price list. Will you pardon me one minute, Mr. Chairman?

The CHAIRMAN. Certainly.

Mr. NICHOLSON. I wanted to say that the Nicholson file—on which we had built up a reputation in this country that enabled it to have a demand that paid us 20 or 25 per cent more for our files than those of other American makes, and that was the file that we selected to push for certain markets of the world, believing that if we once got that file introduced it would stand on its own merit, and that we could possibly advance prices over there. That business we were willing to do, and have been up to this time; and probably few concerns in America have gone for that class of trade any more earnestly than the Nicholson File Company. I mean to say that the methods that we have in our business, the system of conducting and directing the foreign business throughout the world, we believe, will compare favorably with any systems in any other American factories.

Now, what has antagonized us, perhaps, and I call it antagonism, with this New York connection is this fact, that we have selected good, smart men, college men in every instance, trained them in our factory, and sent them from our factory to almost every civilized part of the globe, representing only our product, and introducing our product. We taught them alone. We have gone back of those New York commission houses—I would not care to have that published if I could help it—that last statement—but it is a fact that they get commissions from both sides, for buying and for selling; and we wanted to either give the trade that difference or keep it ourselves.

Digitized by Google

The CHAIRMAN. Mr. Nicholson, what you say goes into the record.

Mr. DALZELL. I think it is all right.

Mr. NICHOLSON. It is a fact. We are as friendly with those people as we can be; we do more or less business with them. But you can readily understand that in establishing our connections direct with, say, Buenos Aires, Melbourne, St. Petersburg, or elsewhere, we did not have to depend upon these houses for financing bills and pay them premiums, but we took the chances ourselves.

The CHAIRMAN. What brought your success in building up that foreign trade?

Mr. NICHOLSON. Well, sir, it has been in every instance successful.

The CHAIRMAN. You hold a good-sized trade?

Mr. NICHOLSON. Yes; and a growing trade up to a year ago. Of course, not alone because we have entered their markets, but because other progressive nations have entered the markets, and these foreign countries are fast adopting our methods of protecting and building up and fostering their own industries. I will give you one illustration——

The CHAIRMAN. In other words, you have to pay a tariff when you sell abroad?

Mr. NICHOLSON. We are beginning to pay a tariff, and that is beginning to shut us off. For instance, I will give you one illustration: In 1906 we probably sold $60,000 worth of files in Japan. It does not seem very much, because the industry is small. You must understand that this is a small, edged tool industry, and it does not go into values heavily. But we sold $60,000 worth in Japan, and then they introduced a protective tariff. The Government's instructions were to foster their own industry, to demand them in their shops, and the railroads were especially requested to use home products. The result was that they put up with very inferior goods, and are still doing that, although they are growing, and are introducing our methods of machinery and systems, and in time will starve out our business. Our business has been reduced this year. I do not suppose we will sell to exceed $8,000 in Japan.

The CHAIRMAN. How does their rate of duty compare with ours?

Mr. NICHOLSON. It is lower, but they are in their infancy.

The CHAIRMAN. What is the percentage of their duty, their ad valorem duty, compared with ours?

Mr. NICHOLSON. Roughly, I should think that their duty did not exceed 25 per cent of ours, but this is their first attempt at a duty.

The CHAIRMAN. You find a tariff on these articles in Germany and France?

Mr. NICHOLSON. Oh, yes.

The CHAIRMAN. Have you any trade there?

Mr. NICHOLSON. Well, we have had a considerable trade in both of those countries. We find it more difficult to retain that trade now. Our files, you understand, Mr. Chairman, are like a razor; if the consumer demands them he rather sticks out and calls for them, and forces the trade to keep them. Now, we have established, by being in those countries fifteen to twenty years, a certain reputation, and that reputation will create and make a demand for our files to some extent for some time.

The CHAIRMAN. You make the files now by machinery entirely, so far as the cutting is concerned, do you not?

Digitized by Google

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. And also these files that are used by blacksmiths, and so forth; you make those by machinery?

Mr. NICHOLSON. Yes; all of the processes.

The CHAIRMAN. Of course, there has been a reduction of cost in that respect, has there not; the labor cost?

Mr. NICHOLSON. The labor cost, Mr. Chairman, has probably not been reduced, but has advanced from 3 to 8 per cent, I should say, within the last five or eight years.

The CHAIRMAN. Was that on account of the high wages?

Mr. NICHOLSON. It is both on account of the high wages, and the fact that you can not get the work per day out of the laborer or the job worker. He is not the efficient workman that he was five or seven years ago.

The CHAIRMAN. How long have you been making files by doing this work by machinery?

Mr. NICHOLSON. Since 1865.

The CHAIRMAN. 1865?

Mr. NICHOLSON. Yes, sir; we have constantly been making improvements.

The CHAIRMAN. But the cutting was done by machinery in 1865?

Mr. NICHOLSON. Both the cutting and the grinding and the forging.

The CHAIRMAN. I wish you would turn to page 4471 of the Tariff Hearings before you, which purports to give an invoice of these goods, and will you tell us whether the list there correctly represents your list prices, commencing at the bottom of 4470 and continuing?

Mr. UNDERWOOD. Mr. Chairman, I think the witness stated that he had his lists of prices with him. Won't you let him read them?

The CHAIRMAN. These are particular files, and I would like to have him cover these particular kinds of files that are picked out. Just look over that, Mr. Nicholson, and see whether that represents correctly your list. You will leave one of those lists with the clerk, Mr. Nicholson?

Mr. NICHOLSON. Yes, sir. There is no question but what these lists are correct.

The CHAIRMAN. That list is your list price. Then the discounts there—70, $\frac{3}{10}$ and 2 per cent off—is that correct?

Mr. NICHOLSON. That is, sir.

The CHAIRMAN. Does that represent any actual sale; do you sell as low as that?

Mr. NICHOLSON. Oh, yes; we sell very much lower than that. That is the price that the consumer paid in this country—that he claims that the consumer paid in this country.

The CHAIRMAN. You say that you sell very much lower to the consumer in this country than that?

Mr. NICHOLSON. Very much.

The CHAIRMAN. Will you give us the prices—the discounts that you make—upon large lots?

Mr. NICHOLSON. We sell—that is a pretty pointed question to put, Mr. Chairman. This is to the small consumer; a wagon concern, we will say, as compared with the railroads in this country, who might buy 5,000 or 10,000 dozen files a year. This consumer might buy possibly 500 or 600 dozen and would not be entitled to the price. That

Digitized by Google

price I should consider a fair price to the small or medium consumer on a high-grade file. He could buy files in this country 25 per cent cheaper than that, and of our manufacture.

The CHAIRMAN. Twenty-five per cent cheaper than that?

Mr. NICHOLSON. At least.

The CHAIRMAN. Do you mean 25 per cent off of that figure of 70, $\frac{3}{10}$, and 2 per cent? What other discount do you give?

Mr. NICHOLSON. He could buy files at 80 per cent off, which is very much lower than 70, $\frac{3}{10}$, and 2 per cent of American manufacture—the same small consumer could.

Mr. GAINES. The same files?

Mr. NICHOLSON. No, sir; that is the Nicholson file. That is the high-grade file made in America.

The CHAIRMAN. At 80 per cent off?

Mr. GAINES. No; he said cheaper than that. I understand that the witness is talking about the same files that are represented here.

The CHAIRMAN. Are you, or are you not?

Mr. NICHOLSON. No, sir; that consumer could not. If he is the consumer that I think he is, and if he buys three or four or five hundred dozen a year, that would be a low price to that consumer on the Nicholson file. But files, however, are sold to consumers in this country, very large consumers, at a considerably less price than that.

The CHAIRMAN. Well, Mr. Gaines developed the fact that a different grade of files was sold at a larger discount. Will you not tell us whether your list of prices is graded according to the grade of file, in the first place; and whether you take that into consideration in making that list; that is, whether the file is of a higher or a lower grade?

Mr. NICHOLSON. No, sir; the list is always uniform throughout the United States. Every file maker, and there are something like 25 in the country to-day, is selling from one uniform price list. Now, the discounts vary according to the maker's reputation.

The CHAIRMAN. Take a mill bastard file of 6 inches, the first article on the list there. Do you have different grades of those files?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. Is your list price $3.50, and is it the same on all grades of that length of file?

Mr. NICHOLSON. The list is; yes, sir.

The CHAIRMAN. The list is the same on all grades?

Mr. NICHOLSON. Yes, sir; on all grades. The discounts will vary, however, 30 per cent.

Mr. DALZELL. The list prices of all manufacturers of files, as I understand it, are the same?

Mr. NICHOLSON. Yes, sir.

Mr. DALZELL. But the discounts offered by the various parties differ; they are not the same?

Mr. NICHOLSON. There is a range of 30 per cent.

Mr. DALZELL. So that in point of fact the selling price in each particular case may differ, and does differ, from the standard list in accordance with the discounts given?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. Now, as I understand you, Mr. Nicholson, these prices given here are the prices per dozen of files of the different

Digitized by Google

styles, the bastard files, the regular single-cut taper saw files, and other files. Those are the prices for files of that length by the dozen. No matter what the quality of the file is, that is the list price?

Mr. NICHOLSON. That is the list price; yes, sir.

The CHAIRMAN. I think that answers that question fully. Now, are you able to say whether the invoice presented on Friday, December 11, for a foreign sale, was an actual sale?

Mr. NICHOLSON. Well, I should say that it was.

The CHAIRMAN. You think it was?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. That is the correct bill?

Mr. NICHOLSON. I should say so; but in that particular instance, for those particular files, it seems to show a very marked contrast when placed in competition with this particular invoice to the consumer on the highest grade file that we make in this country.

The CHAIRMAN. According to this statement here, the bill, at 70, $\frac{3}{10}$, and 2 per cent off, amounts to $274.90. According to Mr. Miles's figures here the duty on that bill of goods, if it was imported, would be $248.75.

Mr. NICHOLSON. The duty, yes.

The CHAIRMAN. Or a duty of about 90 per cent; is that correct?

Mr. NICHOLSON. It probably would figure out so on that particular invoice.

The CHAIRMAN. Certainly, on that particular invoice.

Mr. NICHOLSON. You understand, Mr. Chairman, that quantities of these files are pretty largely on medium-sized stuff. The duty is larger on the smaller stuff, naturally, and it would figure out that way.

The CHAIRMAN. And correctly so in order to make it well balanced; larger on the smaller sizes.

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. Mr. Nicholson, what is your raw material from which you make these files; what sort of steel do you use; what kind of steel do you use?

Mr. NICHOLSON. A good tool steel.

The CHAIRMAN. And that is so of all the files that you make?

Mr. NICHOLSON. Yes, sir. We use a low carbon steel and a high carbon steel for the various files. For the large horse rasp we use a low carbon steel.

Mr. HILL. Foreign or domestic?

Mr. NICHOLSON. All domestic.

The CHAIRMAN. What is the percentage of labor cost in the cost of a file in your factory?

Mr. NICHOLSON. Mr. Chairman, just what do you mean, the inside factory cost?

The CHAIRMAN. Well, in the first place, give us the percentage of labor cost if you can.

Mr. NICHOLSON. To the cost of raw material?

Mr. CLARK. To the cost of the file.

The CHAIRMAN. These files cost so much a dozen made in your factory. What percentage of that cost is labor?

Mr. NICHOLSON. The labor I should think would run from 65 to 70 per cent.

Digitized by Google

The CHAIRMAN. Does that include all the labor?

Mr. NICHOLSON. That is the inside factory cost.

The CHAIRMAN. The inside factory cost for labor is 65 to 70 per cent; and in addition to that there would be the supervision, the salaries. What would be the total cost, or, what is the cost of the material?

Mr. NICHOLSON. I should think it would be from 16 to 17 per cent.

The CHAIRMAN. Have you ever figured on that?

Mr. NICHOLSON. Yes; but it varies.

The CHAIRMAN. But 17 per cent would be a fair average?

Mr. NICHOLSON. I should think so, taking the period of three or four years.

The CHAIRMAN. It varies from what to what? Give us the highest and the lowest.

Mr. NICHOLSON. I should think from—oh, possibly 15 to 20 per cent—that range.

The CHAIRMAN. Mr. Miles speaks here of discount $70\frac{3}{10}$, and 2 per cent on bills. Is that correct?

Mr. NICHOLSON. I think that is correct for that small consumer on the high-grade Nicholson file. That would be about 76 per cent.

NOTE.—Wherever discount of $70\frac{3}{10}$ and 2 was used in preceding testimony, witness had in mind and understood discount to be $70\frac{3}{10}$ and 2, as evidenced by his last answer specifying this discount as equivalent to about 76 per cent.

The CHAIRMAN. There does not seem to be many files imported into this country, Mr. Nicholson.

Mr. NICHOLSON. Will you permit me to show you some files [shows files to members of the committee]. That file there [indicating] is the sort of a file that is being imported in large quantities, and has been for twenty-five years.

The CHAIRMAN. That is a very small file.

Mr. NICHOLSON. That is a 2-inch round file, No. 8 cut. The cost of the material in that file has been enhanced in value 230 times by labor.

The CHAIRMAN. What percentage of the cost of that file is labor?

Mr. NICHOLSON. Practically the whole of it. Now, that particular file [indicating] is cut with 178 teeth one way to the inch and 267 teeth the other way.

Mr. COCKRAN. Practically, what is that?

Mr. NICHOLSON. That file is for watch makers and jewelers and fine classes of work.

The CHAIRMAN. Does that amount to a very large percentage of the cost of this grade of file [indicating]?

Mr. NICHOLSON. There are something like $80,000 or $85,000 worth imported into this country each year that by rights should be made in America, I believe.

The CHAIRMAN. Do you make any here?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. How many dollars' worth are sold here? You stated that there were $80,000 worth imported. How many thousands of dollars' worth were made and sold here?

Mr. NICHOLSON. Not to exceed $70,000 worth to-day, and yet we have been at it since 1885, working hard; and it is simply through lack of protection.

Mr. CLARK. Mr. Witness, you are talking about your own factory sale, are you not, when you are making that comparison of $80,000

Digitized by Google

worth imported and $70,000 worth made here? You are simply talking about your own factory?

Mr. NICHOLSON. No; I am talking about the factories of the United States.

Mr. CLARK. The whole output?

Mr. NICHOLSON. Yes, sir.

Mr. CLARK. Then that will stand at about 60 per cent imported and 40 per cent made at home, roughly?

Mr. NICHOLSON. I should say so. This is a character of file that is not generally made by the American manufacturer.

Mr. CLARK. Taking the whole file business, the whole output, what per cent is foreign and what per cent is domestic?

Mr. NICHOLSON. That comes into this country, as compared with what we make here.

Mr. CLARK. What is the per cent of foreign imports as compared with the total consumption of files?

Mr. NICHOLSON. For America?

Mr. CLARK. Yes; that is, if you know.

The CHAIRMAN. What is the total consumption in this country?

Mr. NICHOLSON. I should think about $5,000,000 worth a year.

The CHAIRMAN. The total imports in 1906 were—you say about $80,000 worth for this style of file, but the total imports were slightly over $80,000—no, a little less than $80,000—$76,777; but in 1907 they were in excess of that. We find a large excess of imports of every kind in that year. So that pretty much all of the importation of files into this country is in these small sizes, is it not?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. And upon the others you have an absolute market?

Mr. NICHOLSON. The American manufacturers have; yes, sir.

Mr. UNDERWOOD. How do you describe this file under the present tariff law; under what subdivision does it come?

Mr. NICHOLSON. Under the first and second clause, 2½-inch files and under.

Mr. CLARK. If you are right in your answer and the chairman is right in his figures, then the importation of files into the United States only amounts to 1 per cent, unless I have forgotten the multiplication table.

Mr. NICHOLSON. It is not far away from that, 1 to 1½ per cent.

Mr. CLARK. That comes very near being a prohibitive tariff, does it not, as it is?

Mr. DALZELL. You have the American market, excepting for the small files?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. Mr. Nicholson, are you able to tell me what the percentage of labor is in files 7 inches in length and over, whether more material and less labor?

Mr. NICHOLSON. I should think that the labor is pretty difficult to tell, but the labor cost bears a very important per cent to the whole. I should think it was in the neighborhood of 60 to 70 per cent at least.

The CHAIRMAN. And on the 4½ to 7 inch it would be less or larger?

Mr. NICHOLSON. It would be larger.

The CHAIRMAN. How large would it be there?

Digitized by Google

Mr. NICHOLSON. Ten per cent, perhaps, as the file grows smaller and is more difficult to make.

The CHAIRMAN. And how much more on the 2½ to 4½ inch?

Mr. NICHOLSON. Here are 25 examples that you have there where the labor cost ranges from 20 times the cost of material as the minimum to 230 times the cost of material as the maximum.

The CHAIRMAN. These are extreme cases, are they not?

Mr. NICHOLSON. Those examples are largely the files imported to-day.

The CHAIRMAN. Those are the small percentage of files imported. You have the labor cost there?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. Have you any table showing the labor cost upon the different lengths of files?

Mr. NICHOLSON. No, sir.

The CHAIRMAN. Have you any table made up showing the average cost of labor on all of the files you manufacture?

Mr. NICHOLSON. No; excepting my statement that I should say it was between 60 and 70 per cent.

The CHAIRMAN. But you simply make it on the small files imported, which seem to be the only files imported?

Mr. NICHOLSON. Yes; those are the only files that seem to be imported.

The CHAIRMAN. And so far as the other files are concerned the tariff is practically prohibitive?

Mr. NICHOLSON. The American makers have supplied the market for years.

The CHAIRMAN. I should think they would, because the ad valorem percentage is larger than the cost of labor.

Now, Mr. Nicholson, you do not need all of this protection, from the statement that you have made.

Mr. NICHOLSON. Mr. Chairman, what is your ground for that statement?

The CHAIRMAN. The protection is more than the entire labor cost, and there is some difference between your labor cost and the cost abroad. That is my ground for stating it in general terms.

Mr. NICHOLSON. I should beg, Mr. Chairman, to differ with you to this extent: I think that if there ever has been a time in the history of America when this industry, and a number of others, needed protection it is to-day, on the ground, pure and simple, that these other nations have been very aggressive in adopting our methods, our machinery, our ways of getting at results, and they are to-day far more formidable as competitors than they have been in the years that have preceded. Now, the recent patent laws in England show that they can confiscate your property, practically, if you do not operate or work your machinery on which you have been granted a patent.

The CHAIRMAN. Inside of four years that has been the case. I wish we had the same patent laws in this country.

Mr. NICHOLSON. So do I.

Mr. CLARK. We are likely to get them, too.

Mr. NICHOLSON. I trust so. Undoubtedly England will look out for herself in the next few years. The other countries are fast doing the same; they are shutting off our export field, and I believe that the

Digitized by Google

great manufacturers in this country, who have been informed by the New York middlemen, will find a great deal of difficulty in getting into the markets on the lower cost.

The CHAIRMAN. They have to buy their new machinery, and they can not do the work for nothing, can they?

Mr. NICHOLSON. No, sir; but the materials, this sort of material, I have understood, has been sold in Sheffield for considerably less than we could buy it.

The CHAIRMAN. What does your steel cost per ton? You need not give us any inside figures, but the wholesale price of the steel that you buy per ton.

Mr. NICHOLSON. On the average, I should say $50 a ton to-day.

The CHAIRMAN. A little lower than it has been, is it not?

Mr. NICHOLSON. It has been pretty low for the last few years—no; I can not say that it is. I should say that two years ago it was lower than to-day.

The CHAIRMAN. That is the average cost, is it; $50 per ton?

Mr. NICHOLSON. Fifty dollars to $55 per ton.

The CHAIRMAN. Do you know what the cost is in England?

Mr. NICHOLSON. We have heard of that same steel being sold for 1.8 cents per pound.

The CHAIRMAN. Thirty-six dollars a ton?

Mr. NICHOLSON. We have heard that.

The CHAIRMAN. Do you know of any such sale as that?

Mr. NICHOLSON. I do not know of it. We can not buy it; we do not attempt to buy it.

The CHAIRMAN. Why don't you buy it?

Mr. NICHOLSON. We do not want it. We believe in looking out for our American interests.

Mr. HILL. If you could save $5 a ton upon the steel, that would overcome your sentiment and your feeling, would it not?

Mr. NICHOLSON. Not if it turned thousands of men out of employment.

The CHAIRMAN. Do you know how much the tariff is on that steel?

Mr. NICHOLSON. I should say perhaps $18 per ton.

Mr. CLARK. Mr. Nicholson, if the tariff is levied in the name of labor, do you not think that labor ought to get all of the tariff?

Mr. NICHOLSON. I am afraid that they will not be able to get all of the tariff.

Mr. CLARK. I know, because your slice comes off before it gets to them.

Mr. NICHOLSON. If you will pardon me for expressing one little thought, I will say that I walked down this morning from the Willard and saw a pair of horses, a beautiful cart, all equipped with fruit, vegetables, and one thing and another. I can close my eyes and see the condition over on the continent of Europe, with barefooted women in rags, with a few Newfoundland dogs, or some other kind of dogs, hitched up with a string harness to the cart, and a few vegetables, that they are pulling around.

Mr. CLARK. That is all very interesting, but that does not answer my question as I asked it, which is, if a certain tariff is levied on the American people—of course, that is exactly what it amounts to—in the name of labor, then ought not labor get all of that tariff? What right have you to gobble a part of it?

Digitized by Google

Mr. NICHOLSON. Theoretically that may be true.

Mr. CLARK. Yes; that is it.

Mr. DALZELL. Mr. Nicholson, these samples that you have shown here represent the kind of files that are imported?

Mr. NICHOLSON. Yes, sir.

Mr. DALZELL. Can you describe those files? Give a description that will cover them generally.

Mr. NICHOLSON. They are 4½-inch files in length, generally, and under.

Mr. DALZELL. Four and one-half inches and under would cover accurately the description of the kind of files that are imported?

Mr. NICHOLSON. They are manufactured to-day in Switzerland and France——

Mr. DALZELL. No; how would you cover the sort of files that are imported and exclude the others? How would you describe, if you undertook to describe them, the files that are imported as distinguished from any other files?

Mr. NICHOLSON. Well, the finer grades of files used by tool makers, watchmakers, dentists, and in all careful work.

Mr. DALZELL. Would you have to describe them by the usage to which they are put?

Mr. NICHOLSON. That would be one way of describing them.

Mr. FORDNEY. Could not you describe that length and under?

Mr. NICHOLSON. No, sir; you could not, because there are coarser grades of files.

Mr. DALZELL. We have here mill bastard files, flat bastard files, regular single-cut taper saw files, and slim taper saw files, single cut. Now, is there any particular name that would accurately designate, as a class, the files that are imported and exclude all others?

Mr. NICHOLSON. No; I do not know of any. I should not want to attempt it.

Mr. DALZELL. Not as to the character of material used, or the fineness of grade, or anything of that kind?

Mr. NICHOLSON. No; I should not want to attempt to describe it, Mr. Dalzell.

Mr. DALZELL. Why don't we make those files?

Mr. NICHOLSON. Because we haven't protection enough—we do make them; we make probably, of this kind of file, 40 per cent of what is made in America; maybe 50 per cent.

Mr. DALZELL. I do not refer to you particularly, but to the whole manufacture. Why do not the American manufacturers make them instead of importing these files?

Mr. NICHOLSON. Simply because they are made so cheaply in Switzerland and in France that they can overcome the duty.

Mr. DALZELL. And that cheapness is due to what, the difference in labor cost?

Mr. NICHOLSON. All sorts of cost, Mr. Dalzell.

Mr. DALZELL. Labor cost and material?

Mr. NICHOLSON. Yes, sir; and that is where labor cost is rather confusing.

Mr. DALZELL. Now, I understand, Mr. Nicholson, that you said a while ago that you had been fairly successful in getting into foreign markets. What kind of files do you export?

Mr. NICHOLSON. Only the standard makes of larger files, from this first list.

Digitized by Google

Mr. DALZELL. You do not export any of these finer made files?

Mr. NICHOLSON. Not excepting in rare instances; not to any extent.

Mr. DALZELL. Where do you principally export?

Mr. NICHOLSON. Our general files?

Mr. DALZELL. Yes; the principal export trade.

Mr. NICHOLSON. Australia, New Zealand, South Africa, and the southern countries here; India, China. We formerly had a very good business in Japan; different parts of the Continent; and in other parts we have great difficulty in remaining in on account of the changes of duties and one thing and another.

Mr. DALZELL. Mr. Nicholson, going back to what the chairman said a few moments ago, would it not seem that, as to a part of your manufacture, you do not need protection?

Mr. NICHOLSON. I should say not, Mr. Dalzell. I should say that we needed it more to-day than ten years ago.

Mr. DALZELL. As to what lines?

Mr. NICHOLSON. All the lines; I should say so. Those people are far more aggressive to-day than they were ten years ago, and they know that this is the best market in the world.

Mr. DALZELL. As to all of these finer grades, the tariff now is substantially prohibitive?

Mr. NICHOLSON. I think, if you will make inquiries in regard to this industry in America, you will find that it is not one that is especially prosperous.

Mr. DALZELL. You have the American market excepting on the high grades of files?

Mr. NICHOLSON. Yes; and we want to retain it.

Mr. DALZELL. You think it is absolutely necessary to have the tariff to retain the market?

Mr. NICHOLSON. I certainly do.

Mr. DALZELL. And you think you ought to have some higher protection——

Mr. NICHOLSON. On the small files.

Mr. LONGWORTH. Did I understand you correctly to say that the value of the material in this file [indicating] was enhanced 230 times by labor?

Mr. NICHOLSON. You do not happen to have the particular one. It is the little round file. This is the particular one [indicating]. That one is enhanced 230 times.

Mr. LONGWORTH. Taking the average file on which there is the highest rate of duty—that is, the 7-inch and over—what proportion of labor is in that file? How does the labor compare with the material?

Mr. NICHOLSON. Well, I have never been able to tell that, but the average file would run from 60 to 70 per cent labor. We make files, you understand, from 26-inch down to 2-inch and of all grades.

Mr. LONGWORTH. You can say generally that the cost of labor is greater the smaller the file?

Mr. NICHOLSON. Oh, yes.

Mr. LONGWORTH. In proportion. And yet the tariff increases in direct contradiction to that theory.

Mr. NICHOLSON. On the small file?

Mr. LONGWORTH. The tariff is least on the smaller files and highest on the larger, but the cost of labor is highest on the small files and least on the large?

Digitized by Google

Mr. NICHOLSON. Oh, yes; that is very true, and it should be increased on the small file. For instance, on the 24-inch file, the list on that file might be $9 or $10, $14 perhaps, and the net is about $3, we will say.

Mr. LONGWORTH. That is to say, you could buy a file that you have listed there at $14 for $3?

Mr. NICHOLSON. Yes, sir. The small files probably would not net over a $1.50 as against $3. The duty on these is all figured per dozen.

Mr. GAINES. Do you say that one might buy files such as you have listed there at $14 for $3? What is the reason for any such discount? How does the business get in shape where the published price is four and two-thirds times the actual price?

Mr. NICHOLSON. What the list was originally adopted for was that three or four parties would make a profit on a file—we will assume that when it gets into the hands of the small retail hardware man in a town, that he is probably the third party that has had that file, or probably he is the second. He may sell it to the small country store, and that will be the third, and the small country merchant will sell to the consumer. Each one of those sells from the standard list, and then we have discounts to enable them to make a profit.

Mr. COCKRAN. According to that it passes through three hands, and each time it seems to increase 100 per cent above the original cost.

Mr. NICHOLSON. What is the point that you make?

Mr. COCKRAN. I am merely trying to get information as to why you pursue the extraordinary course of representing in your circulars prices that are four times as high as you actually charge. That is not a discount. That seems almost like misrepresentation. It is a mistake, as a matter of fact, is it not?

Mr. NICHOLSON. We sell on the standard list. We have all classes of trade buying from that standard list; the large consumer, the small consumer, the large dealer, and the jobber all buy from that same list.

Mr. LONGWORTH. Who made that list originally?

Mr. NICHOLSON. This list was made by the file makers of this country in 1885, I believe.

Mr. LONGWORTH. By general agreement between them?

Mr. NICHOLSON. As to the list, yes.

Mr. LONGWORTH. They met together and agreed?

Mr. NICHOLSON. Upon the general list; only that list.

Mr. LONGWORTH. How long ago was that?

Mr. NICHOLSON. 1885.

Mr. LONGWORTH. What was the tariff on files at that time?

Mr. NICHOLSON. This list is dated 1899; I did not mean 1885.

Mr. COCKRAN. That was under the McKinley tariff law, was it not? I merely wanted to follow out what Mr. Gaines suggested by his question. If there be three hands through which these files pass, and the jump is from $3 to $14, then $3, I suppose, would represent the original cost, and that is what absolutely is the real value of that file and what you really intend to get for it?

Mr. NICHOLSON. Yes.

Mr. COCKRAN. You represent in your circular a price of $14, and that you say is to cover the operations of three different persons in getting it into the market—to compensate them?

Digitized by Google

Mr. NICHOLSON. You understand, Mr. Cockran, that we never get that $14.

Mr. COCKRAN. What becomes of it?

Mr. NICHOLSON. It is absorbed in the discounts.

Mr. DALZELL. Fourteen dollars is the list price, with certain discounts?

Mr. COCKRAN. Does $14 represent what the consumer pays for it?

Mr. NICHOLSON. Never. The Iron Age goes all over the world, perhaps, containing prices with discounts of 70–10 to 75–10 per cent on the high-grade file from the standard list, which is the only list known.

Mr. COCKRAN. I can not for the life of me see the use of it.

Mr. DALZELL. It is simply a basis for all parties to work from, and no doubt is justified because the discounts are different.

Mr. COCKRAN. But what is the point in giving these different discounts?

Mr. GAINES. As a matter of fact, what price does the retail purchaser of this $14 file generally pay?

Mr. NICHOLSON. The consumer?

Mr. GAINES. Yes, the retail buyer; not the retail merchant, but the man who buys the file. Take a blacksmith who buys a dozen of these blacksmith rasps, what will he pay?

Mr. NICHOLSON. He will pay that list price with something deducted. I should think that you can send down to any of these hardware stores in town, and I think they would sell you that file not higher than 60 per cent off. I think they would give you at least 60 per cent off of this list.

Mr. CLARK. Then, what sense is there in such a performance? I can understand very readily how you could have $3 for yourselves and $14 for the retailer, and so fix the price all down the line. That is perfectly intelligible, and it might be reasonable. But now if nobody is to charge this $14, then what is the sense in putting it upon the list?

Mr. NICHOLSON. Well, I presume that is the custom. On most lines of American manufacture you see the same thing. In some lines there are greater discounts than that.

Mr. CLARK. Is not the whole thing intended to befuddle the public as to prices?

Mr. NICHOLSON. Perhaps originally it was, but I think the public are so wise to-day that nobody can be fooled.

Mr. CLARK. You did state that there is a difference in prices to the small and the large consumers, and that the fellow who buys 700 dozen files would be termed a small consumer. How much is the difference between the large consumer and the small consumer?

Mr. NICHOLSON. Would you call the Government a consumer?

Mr. CLARK. Certainly; anybody who uses the files is a consumer of files.

Mr. NICHOLSON. The Government, I should say, is buying files 25 to 30 per cent, at least, lower from the American manufacturers than this consumer claims to have paid.

Mr. CLARK. Don't you think that that is an enormous difference to make between the big and the little consumer? I can very well understand how the small consumer would be compelled, by the very nature of things, to pay a little more than the large one, because it is

Digitized by Google

easy to ship to the big consumer, and he will take more. But it seems to me the difference you have stated is an enormous difference.

Mr. COCKRAN. That is the object of the circular, to make a difference between the different consumers.

Mr. NICHOLSON. That is the basis we figure on.

Mr. COCKRAN. You allow yourselves that margin so that you can make a differential between the different consumers.

Mr. NICHOLSON. There has always been this list, both here and abroad, and throughout the world; outside of America. There is a Sheffield list, and different discounts in the different countries that we sell in.

Mr. COCKRAN. So the effect of this wide latitude that you allow yourselves under the name of discounts is to differentiate among the different customers; in other words, to cover up that feature of your operation.

Now, there was one other thing that you stated which attracted my attention. In explaining the increased cost of your manufacture, you said that the productive capacity of your labor was decreasing very much?

Mr. NICHOLSON. I am afraid that is so. We have not noticed that so much in the past eight months as we did last year.

Mr. COCKRAN. And that, you think, is an additional reason for insisting upon the high protective rates?

Mr. NICHOLSON. I think that will tend in time to handicap this country in competing with the more aggressive nations abroad.

Mr. COCKRAN. And that this decline in productive capacity is a progressive decline, and the proportion of incapacity is growing greater all the time?

Mr. NICHOLSON. As our classes become more and more independent I think they become less efficient.

Mr. COCKRAN. And the effect of the high protective tariff, in this particular case, is not to give us any prospect of having the work more efficiently done, because under it you say the efficiency is decreasing?

Mr. NICHOLSON. I think we need the protection to hold the workmen that we have, because the other countries have introduced our modern methods of use of machinery, and they know the value of the trade in this country, because they formerly had it.

Mr. COCKRAN. My question did not touch the wider growth of the use of the machinery, but referred more particularly to the fact of the progressive decline in the productive capacity of our labor.

Mr. NICHOLSON. I think that is true.

Mr. COCKRAN. So that as time goes on we must look to higher protection to balance this steadily decreasing capacity.

Mr. HILL. Take the 7-inch file at $1 per dozen. Those are made by automatic machinery, are they not; that is, they are cut automatically?

Mr. NICHOLSON. The machine runs ahead; yes.

Mr. HILL. You put the metal in, it is cut and then discharged?

Mr. NICHOLSON. No; it is not automatic in that sense.

Mr. HILL. You do not mean to say that every time the chisel cuts down that the workman has to attend to it?

Digitized by Google

Mr. NICHOLSON. When that file starts it goes along, but it does not throw itself out.

Mr. HILL. How many machines does a man tend?

Mr. NICHOLSON. Only one. There is nothing automatic about it. It does not discharge itself as a screw does.

Mr. HILL. It does not?

Mr. NICHOLSON. No, sir.

Mr. HILL. And each machine has to have a separate attendant?

Mr. NICHOLSON. Yes, sir.

Mr. HILL. Is that work done by the piece?

Mr. NICHOLSON. It is done very largely by job work by the piece.

Mr. HILL. Is it done by the piece in Europe?

Mr. NICHOLSON. Yes, sir.

Mr. HILL. Have you any figures showing the difference in the piecework between this country and England—England is your largest competitor in this line of work, is it not?

Mr. NICHOLSON. Yes.

Mr. HILL. Can you furnish any figures as to the piecework cost in England and here?

Mr. NICHOLSON. Allow me to correct that. I said that England was the greatest competitor. I do not know but that to-day Germany is greater than England.

Mr. HILL. Well, either one. Can you give us any figures on the piece price on these various ranges of files?

Mr. NICHOLSON. We can not. We have endeavored to investigate that to the best of our ability, and have sent over the smartest men we could put on the job.

Mr. HILL. What does the ordinary standard 7-inch file sell for, one single file, at wholesale?

Mr. NICHOLSON. Here?

Mr. HILL. Yes; a file 7 inches in length, upon which the duty is $1 a dozen.

Mr. NICHOLSON. The list on that file is $4.80.

Mr. HILL. And what is the average net selling price? I do not mean any special bargains, or anything of that kind, but what you would ordinarily expect to sell the 7-inch standard file for.

Mr. NICHOLSON. About 8 cents, I should say.

Mr. HILL. Apiece?

Mr. NICHOLSON. Yes, sir.

Mr. HILL. And the duty is 8¼ cents. That would be a dollar a dozen.

Mr. NICHOLSON. On that particular file.

Mr. HILL. That is a duty of 100 per cent. You said that you are selling all over the world in competition with the men against whom you want protection. How do you do it; and still you want more protection upon this line?

Mr. NICHOLSON. Because some years ago we employed 1,000 men—in this industry at that time there might have been 2,000 men employed. To-day I should say there were 6,000 employed in that industry in this country. Now we do just the same as the other countries do; we are wise; we try to give as much employment as we can to the greatest number of people. In order to cheapen the cost as far as we can of all that we make, much of the stuff that we sell

Digitized by Google

abroad we sell at a little or no profit. We do that for the purpose of making our goods cheap here.

Mr. HILL. Oh, I know; but you are not an eleemosynary institution or a charitable institution. You are in the business for the purpose of making money, and you advertise a regular foreign export price.

Mr. NICHOLSON. We do.

Mr. HILL. You keep it up and expect to make it a part of your business just as you do your business here; and you can compete and make a profit; is not that so?

Mr. NICHOLSON. I do not think we make a profit, sir.

Mr. HILL. You certainly must, for you would not continue that business at a loss from year to year; and you have not been doing it at a loss for the last twenty years?

Mr. NICHOLSON. We do make a profit, but not on this particular transaction.

Mr. GAINES. You and Mr. Nicholson are not understanding each other, Mr. Hill. You are saying one thing, and he another. As I understood him, he says he is not making a big profit on the foreign sales.

The CHAIRMAN. He seems to be doubtful about that.

Mr. GAINES. Let us clear that matter up.

The CHAIRMAN. On his whole business, it appears, he makes a profit.

Mr. HILL. You are in the line of export trade, are you not? Your concern and the file business generally is in the line of export trade at fixed, regular prices, this year and next year, and you expect to continue in the business?

Mr. NICHOLSON. I do not know what you mean by fixed prices.

Mr. HILL. It is a part of your legitimate trade. By the way, do you know of any other file makers in the United States that have foreign establishments and are manufacturing their products abroad?

Mr. NICHOLSON. I do not.

Mr. HILL. You do not manufacture in Canada?

Mr. NICHOLSON. Yes.

Mr. HILL. You have a factory in Canada, have you?

Mr. NICHOLSON. Yes.

Mr. HILL. Have you factories in Europe?

Mr. NICHOLSON. No, sir.

Mr. HILL. Do you know of any other factories here that have a file trade in Canada?

Mr. NICHOLSON. Yes, sir.

Mr. HILL. Then you are competing with yourself only in Canada?

Mr. NICHOLSON. Yes.

Mr. HILL. What I want to get at is this: If you require a 70 per cent duty on files in order to hold your home market, how do you expect to go into the foreign market unless you continue to manufacture in the home market? And if you are doing that, is it good policy for the American people to have you maintain the price at a high figure in its own market, to the exclusion of the foreign competitor, with the competition of the American market carried into other countries at a lower price? However, that is a mere expression of opinion and I will not ask it. [Laughter.]

The CHAIRMAN. Will you withdraw the question, then? [Laughter.]

Digitized by Google

Mr. HILL. Yes; I will withdraw the question.

Mr. LONGWORTH. I would like to know what proportion of your total output is sold abroad.

Mr. NICHOLSON. Oh, we can sell——

Mr. LONGWORTH. What percentage, I mean, does that amount to generally?

Mr. NICHOLSON. This year it is about 20 per cent. But understand, Mr. Longworth, please, that we have worked very earnestly and very hard, with all the methods right, in order to compete for that trade, and we have been at it for many years.

Mr. LONGWORTH. I wanted to know the point you had got to. You say it is about 20 per cent?

Mr. NICHOLSON. Yes, sir. I do not know how, under any conditions that you might bring about by legislation here in Washington, that would enable us to help our export business to any perceptible extent. I think it has to be a slow growth.

Mr. HILL. You do not hope for any export business in Canada? You make it there in Canada; you supply the Canada market from your own Canada factory, and consequently you shut off your own export trade to Canada from the United States by that process. Why should you expect to increase it?

Mr. NICHOLSON. Well, that is a case you have singled out. [Laughter.] Why don't you try another?

The CHAIRMAN. You employ American labor, and distribute the product in Canada?

Mr. NICHOLSON. Yes.

The CHAIRMAN. Suppose I wanted to order from you some of these small round files, and had your catalogue before me, how would I describe it?

Mr. NICHOLSON. You would describe it from what it says; a 2-inch file, for example——

The CHAIRMAN. Do you say I could describe it from the catalogue, so that you would understand?

Mr. NICHOLSON. Yes, sir; these are Swiss pattern files.

The CHAIRMAN. Then that disposes of those round files. Here [indicating] are some round files with handles.

Mr. NICHOLSON. Those are manicure files, which are made abroad from very inferior stock, and which come over here in large quantities.

The CHAIRMAN. Those are files in which you say the labor cost is very large?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. How much is the labor cost for making these round files, per dozen? I want to ask the labor cost. How much do these files cost per dozen to produce in your factory?

Mr. NICHOLSON. The price would be——

Mr. GAINES. He did not ask the price.

The CHAIRMAN. No; I want to know how much they cost to make them there? What is the piece price for labor in your factory?

Mr. NICHOLSON. Oh, it is hard to tell, sir. That file is handled at least 150 times. That file is largely handwork, all the way through.

The CHAIRMAN. And you can not give the piece price per dozen?

Mr. NICHOLSON. No, sir. The only thing that has a piece price about that is the cutting by machinery.

Digitized by Google

The CHAIRMAN. Can you find that out?

Mr. NICHOLSON. No, sir; because we make 3,500 varieties of these files.

The CHAIRMAN. If you want this committee to consider it, you had better get your wits together and find out some description of these files. Can you give us any description of these files by which we can take them out for duty—these files that you present here, which you say are imported?

Mr. NICHOLSON. Those are 4½-inch files and under.

The CHAIRMAN. Well, but those cover millions of dollars' worth. You want a large duty on millions of dollars' worth of them, when you do not need the duty, to protect $70,000 worth where you say you need it. I have no doubt if I were a dealer I could write to you and refer to your catalogues for these very files, so that you would understand it.

Mr. NICHOLSON. You would order a Swiss pattern file.

The CHAIRMAN. Why don't you give us that description, then? This [indicating specimen] is a Swiss pattern?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. Those are high cost in labor?

Mr. NICHOLSON. Yes. That little sample that you have there is made in eight different cuts. They are all Swiss pattern.

The CHAIRMAN. How would I describe these others?

Mr. NICHOLSON. Those are a regular pattern.

The CHAIRMAN. That would describe a large class, would it not?

Mr. NICHOLSON. Yes.

The CHAIRMAN. Suppose I wanted these hand files, manicure files. Would I describe them in that way?

Mr. NICHOLSON. Those are in the Swiss pattern list.

The CHAIRMAN. Are these all in the Swiss pattern list?

Mr. NICHOLSON. Yes. I think some are on the regular list, perhaps.

The CHAIRMAN. Are all the Swiss pattern files imported, all the different sizes and kinds, or only those under 4½ inches in length?

Mr. NICHOLSON. All the Swiss pattern files.

The CHAIRMAN. Do all the Swiss pattern files involve this heavy percentage of labor to produce them?

Mr. NICHOLSON. They do here.

The CHAIRMAN. Then if they were described as "Swiss pattern" in the tariff bill, they would not include any of the files where you have practically all but 1 per cent of the consumption—all but 1 per cent of the consumption in this country, where you manufacture them? Is that true? Are there any of these Swiss pattern files made here, where the manufacturers of the country produce all but 5 per cent of what is imported of that kind?

Mr. NICHOLSON. There are four concerns to my knowledge in this country making this kind of file; four concerns. There ought to be a dozen.

The CHAIRMAN. Well, now, do they make any particular style of Swiss pattern, where they make 90 per cent of them?

Mr. NICHOLSON. No, sir; I think they make the full line.

The CHAIRMAN. And they sell only about 50 per cent of them—they supply only about 50 per cent of the market?

Digitized by Google

Mr. NICHOLSON. There are more files imported of this grade than are made in this country.

The CHAIRMAN. Eighty thousand dollars made and $70,000 imported, you say. You need not be particular. They supply about 50 per cent of the market?

Mr. NICHOLSON. About that; about 50 per cent.

Mr. FORDNEY. Does the factory capacity in the manufacture of files in the United States constitute enough or is it enough in quantity to supply the American market? Do you not make considerable for the export trade?

Mr. NICHOLSON. Yes. We are equipped for the export trade; the American manufacturers are.

Mr. FORDNEY. If you were confied to the American market only, would there be either an overproduction or would you have to curtail your production or discharge some of your labor?

Mr. NICHOLSON. Yes, sir.

Mr. FORDNEY. Now, if you ran your factory with a sufficient number of men to supply the American market alone, would it change the rate of wages that you pay those men? Would you pay any less or any more?

Mr. NICHOLSON. I should say it would not be necessary to reduce wages if we lost our export business. Is that what you mean?

Mr. FORDNEY. Yes. The point I make is that you sell a part of your product abroad, sometimes at little or no profit, and the point is that, whether you sell at a profit or at a loss, it makes no difference in the wage scale that you pay to your labor?

Mr. NICHOLSON. No, sir; I should say not.

Mr. FORDNEY. By running to the full capacity you manufacture at a less possible cost, of course, and the consumer does not have to pay any more, does he, for his files than if you ran on a capacity sufficient to supply only the home market?

Mr. NICHOLSON. I should think it would make no difference to the consumer whether we had a dollar's worth of export business or not, but it would make a difference to us in the cost. Where we would make 100 per cent of files, we would be forced to make only 80 per cent. It is not alone that we would export 20 per cent of files—20 per cent of that 100 per cent—but we are also able to run our help on full time by keeping a stock to supply that 20 per cent.

Mr. FORDNEY. How many men did you say are now employed in the United States in the manufacture of files?

Mr. NICHOLSON. I should say about 6,000.

Mr. FORDNEY. I do not know whether I quite understand you, and I want to know whether we do understand one another or not. As to that price list that was fixed in 1899, every man or every party that handles your files handles them on that price list?

Mr. NICHOLSON. Yes, or any other American file product.

Mr. FORDNEY. That is what I mean; so that as they go from his hands to another the discount is a little less, profit added. That is all there is to that. That is a basis to start your price on, and your figuring and discounts grow less as it changes from one party's hands to another's and a profit added?

Mr. NICHOLSON. Yes.

The CHAIRMAN. I think the witness will say that there is a large variety of hardware sold on list prices where they make an enormous discount. That is true, is it not?

Digitized by Google

Mr. NICHOLSON. Yes.

The CHAIRMAN. A high price list and a large discount to the trade?

Mr. NICHOLSON. Yes; and while Mr. Cockran seems to think this is ridiculous, yet there are discounts that run up into the nineties—90-10-10-10 and 90-10-10-10-10-10.

Mr. COCKRAN. I think it is intended to cover up the discrimination that is exercised by the seller.

The CHAIRMAN. I think Mr. Nicholson is old enough to tell why it was adopted.

Mr. FORDNEY. If you changed your prices it would confuse the market so that your customers would not know what the discount was on the new price list until he would become familiar with your discounts, and so on; and for that reason you run along on your old price list?

Mr. NICHOLSON. Yes, sir. This list was adopted in 1890. It was at once published in all the trade papers; that is, the Iron Age, the Iron World, in Pittsburg and other places.

The CHAIRMAN. I want to ask you about Swiss patterns. You say about $150,000 worth of these are sold here—$70,000 worth made here and $80,000 worth imported?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. That includes all the Swiss pattern? That $150,000 worth includes all that is properly described as Swiss pattern?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. Do you make the Swiss pattern?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. What other concerns make the Swiss pattern in this country?

Mr. NICHOLSON. The American Swiss File Company, of Elizabeth, N. J., and Henry Disston & Sons, of Philadelphia.

The CHAIRMAN. Is that all—all that you think of now?

Mr. NICHOLSON. That is all I think of now.

Mr. DALZELL. That is only three.

The CHAIRMAN. You said four of them.

Mr. NICHOLSON. Well, I think there are several, but I could not tell you. There are seven or eight of them.

Mr. HILL. Here are three or four price lists [exhibiting same]. This first one is the price list of patent cut files and rasps. The next is Swiss pattern files, the same sizes and lengths and varieties—all there. What is the distinction between those two?

Mr. NICHOLSON. Those are the small files.

Mr. HILL. I know; but these Swiss files run up to 12 inches or 14 inches.

Mr. NICHOLSON. Exactly.

Mr. HILL. What is the difference between the Swiss pattern files and the Nicholson File Company's list?

Mr. NICHOLSON. That has three cuts, which are known as the "bastard," "second cut," and "smooth." The others go by numbers, from 0 to 8—numbers that you can get of finer files. You can not get a coarser file.

Mr. HILL. That is not what I want to get at. What is the Swiss pattern as distinguished from the American style of file?

Digitized by Google

Mr. NICHOLSON. It is to get a greater variety of cut.

Mr. HILL. It is not that there is a different way of manufacturing it?

Mr. NICHOLSON. No. I did not say that there is any different way of manufacturing it.

Mr. HILL. Then the Swiss pattern file with the same number of cuts costs no more to make here than your own style of file with the same number of cuts?

Mr. NICHOLSON. That is true; but you can readily see, Mr. Hill, that of the regular styles of cuts there is not as much labor value in preparing the blank as there is on that variety of little stuff that I showed you.

Mr. HILL. Let me ask you another question. This sterling price list is of the same files as those, only made up in pounds sterling. Does it figure out the same, or are the rates lower?

Mr. NICHOLSON. They are altogether different. They are based on the under list there, which is the Sheffield list, which is the list we and other manufacturers, wherever they may be, have to adopt.

Mr. HILL. You say you can make these cheaper by having a foreign trade and larger output? Could you not make them just as much cheaper if you had a larger foreign trade than if you sold more in this country? It is not a question of foreign trade so much as a question of the quantity you make?

Mr. NICHOLSON. It is the question of the market.

Mr. HILL. Has not your trade been steadily increasing uniformly in the United States until you have practically control of the American market—I mean the general file trade in the country? Within the last few years has it not practically taken up the whole demand for files in the United States?

Mr. NICHOLSON. Yes. You see the importations have been running about the same for the last twenty years.

Mr. HILL. Has the price fallen to any great extent?

Mr. NICHOLSON. Not to any great extent.

Mr. HILL. Then, it is not a fact that the cost could be reduced by the increase of trade, so far as this country is concerned?

Mr. NICHOLSON. No, sir.

Mr. HILL. But it can be decreased by the increase of trade if you can get trade from outside the country?

Mr. NICHOLSON. It can be. We have decreased our prices each year in the last nine years, as I reported in my annual report. Each year we show that the average prices received for our entire product has varied from 1 to 5 per cent less than the prices of the preceding year. We have not taken advantage of consumers or conditions or anything else, but we have had the advantage of cheaper cost.

Mr. HILL. When did you commence making Swiss pattern goods in this country?

Mr. NICHOLSON. In 1885.

Mr. HILL. When did they first begin to come into this country?

Mr. NICHOLSON. I suppose in the sixties.

Mr. HILL. Why did you go into making this style of goods instead of your own former style?

Mr. NICHOLSON. It completed our line. It became a part of our line.

Mr. HILL. The trade demanded it?

Digitized by Google

Mr. NICHOLSON. Yes; it was a part of our line.

Mr. HILL. It could be used for the same class of work?

Mr. NICHOLSON. Yes; but they would not use that high-grade file for common, ordinary work.

Mr. HILL. What is the proportion of Swiss pattern goods compared with the ordinary style you make now?

Mr. NICHOLSON. In the volume we have sold in the last year it runs——

Mr. HILL. Half and half—half the Swiss pattern and half the other?

Mr. NICHOLSON. I would say it might be 2 per cent, basing it on what we sold last year.

Mr. UNDERWOOD. Colonel Nicholson, I want to ask you this: What is the volume of the business of your factory?

Mr. NICHOLSON. What is the volume?

Mr. UNDERWOOD. Yes.

Mr. NICHOLSON. Last year or the year before?

Mr. UNDERWOOD. Last year, 1907.

Mr. NICHOLSON. Our output was about $4,000,000.

Mr. UNDERWOOD. About $4,000,000?

Mr. NICHOLSON. Yes.

Mr. UNDERWOOD. How many factories have you got?

Mr. NICHOLSON. We have four in this country.

Mr. UNDERWOOD. Now, where are they located?

Mr. NICHOLSON. One in Indiana, one in Philadelphia, one in New Jersey, and one in Rhode Island.

Mr. UNDERWOOD. What is the total amount of the production of your competitors in this country?

Mr. NICHOLSON. I should say that to-day we might be making 65 or 70 per cent.

Mr. UNDERWOOD. You are making 65 or 70 per cent of the consumption of the American market?

Mr. NICHOLSON. Of the output of new files made in this country.

Mr. UNDERWOOD. Then your price fixes the price in the American market?

Mr. NICHOLSON. I do not think so. There is not a day when we do not have to make a concession to a number of houses in order to hold them; that is, our competitors force us each day to make these prices to hold the trade we have.

Mr. UNDERWOOD. What proportion of your business, your output, do you sell in foreign countries?

Mr. NICHOLSON. About 20 per cent.

Mr. UNDERWOOD. About 80 per cent, then, is for the domestic market and 20 per cent is for the foreign market.

Mr. NICHOLSON. As we have developed our export business; yes, sir.

Mr. UNDERWOOD. To what countries do you sell your export trade?

Mr. NICHOLSON. All over the world.

Mr. UNDERWOOD. Do you go into Germany and France and the European countries and pay the tariff taxes to enter those countries to compete with them?

Mr. NICHOLSON. We had a considerable trade in most of those countries before the tariff acts were put in force. Now we have lost trade in many of those countries, due to their protective tariff and our not being able to compete.

Digitized by Google

Mr. UNDERWOOD. A considerable tariff tax was enacted in Germany immediately after the Franco-Prussian war; in fact, early in the seventies. Did you enter that country with your trade before that time?

Mr. NICHOLSON. No; we entered it since that time.

Mr. UNDERWOOD. Then, ever since you have been dealing in Germany you have been going in there in the face of a protective tariff——

Mr. NICHOLSON. Which was very light until a few years ago.

Mr. UNDERWOOD. Are you continuing your business there?

Mr. NICHOLSON. Yes; but it is falling off perceptibly. Our files are in demand on the reputation that we have been earning for eighteen years.

Mr. UNDERWOOD. Are you selling files in France?

Mr. NICHOLSON. To a limited extent.

Mr. UNDERWOOD. In France you have to pay the maximum rate against the English manufacturer, who pays the minimum rate of tariff?

Mr. NICHOLSON. Yes, sir.

Mr. UNDERWOOD. You are therefore going into European countries and competing in the sale of files not only with their home production, but with productions from other countries—going into those European countries where the other countries have a differential in the advantage of the tariff?

Mr. NICHOLSON. Yes; but I would say it is on the wane in those countries that have enforced a tariff law. When we started in most of those countries they did not have their tariff laws, and we got in our entering wedges then.

Mr. UNDERWOOD. If that is the case, you are not selling 20 per cent of your goods at a loss?

Mr. NICHOLSON. I do not think 20 per cent of our product for export shows much of a profit—not on the whole 100 per cent.

Mr. UNDERWOOD. It does not show you a loss, does it?

Mr. NICHOLSON. We do not figure it as a loss, because there are different ways of figuring what your cost is.

Mr. UNDERWOOD. Here is a proposition I would like to know about very much if you can give me an absolute answer to it. Are you selling in those foreign countries at a loss or not?

Mr. NICHOLSON. If we depended alone on that 20 per cent of business we would not continue.

Mr. UNDERWOOD. I understand; but that does not answer my question. I want to know whether the price you are selling at in those foreign countries is a loss?

Mr. NICHOLSON. We think it is helpful to us.

Mr. UNDERWOOD. If you do not want to answer my question, of course, you can say so. But we want facts, and you know whether or not there is an actual loss on those individual sales that you are making in France and Germany. Do they show an actual loss on your books?

Mr. NICHOLSON. Some of these sales show an actual loss.

Mr. UNDERWOOD. I mean the average sales. Do they show an actual loss? Do you say to the committee that they show an actual loss?

Digitized by Google

Mr. NICHOLSON. I think I have answered that question when I say if that 20 per cent of our business was the whole business we would not be willing to continue it.

Mr. UNDERWOOD. Then you say that your annual sales in France and Germany and elsewhere are at a net loss?

Mr. NICHOLSON. No, sir.

Mr. UNDERWOOD. In France and Germany your sales are at a loss?

Mr. NICHOLSON. You did not ask the question in that way. If you had I should say they were. We had trades in both France and Germany that we had worked hard to obtain. Then they enacted tariff measures which made it necessary, in order to retain that trade, to reduce our price below the price at which we went into those markets. That same condition does not obtain to-day in Australia and in some other countries.

Mr. UNDERWOOD. In Australia you are not selling at a loss?

Mr. NICHOLSON. No.

Mr. UNDERWOOD. But in France and Germany, where you are paying a tariff, you are selling at a loss. I want to know whether the amount or price at which you are selling on the average your files in those markets is less than the cost of production, with freight added?

Mr. NICHOLSON. I should say that the actual transactions in those two countries are showing no profit.

Mr. UNDERWOOD. But are they less than the cost of production, with freight added, and tariff added?

Mr. NICHOLSON. I should think in many instances they were.

Mr. UNDERWOOD. But I am asking as a whole.

Mr. NICHOLSON. I could not tell you.

Mr. UNDERWOOD. If you have been making a loss over there on these sales, it has been so little—such a minimum amount—that it does not impress you if you can not tell me, I suppose. Is that so?

Mr. NICHOLSON. I think we can carry a moderate loss in consideration of the advantages and increase that we get at the other end.

Mr. UNDERWOOD. I am not asking you for conclusions. I am asking you to answer my question as to whether, on the whole, the goods, the files, you sell in France and Germany, counting your actual factory cost, freight added, and the tariff added that they assess against you—whether you are selling those files in those countries at a loss or below the cost price, taking the whole run of your business in those countries?

Mr. NICHOLSON. I should think in many instances we are.

Mr. UNDERWOOD. Well, but that is not answering my question. Of course you may lose money in many instances and yet make a profit. I am asking you as to the whole proposition.

Mr. COCKRAN. As to the net result.

Mr. UNDERWOOD. Yes; the net result.

Mr. NICHOLSON. I should think we are.

Mr. UNDERWOOD. You think, as a whole, you are losing money in that country?

Mr. NICHOLSON. Yes.

Mr. UNDERWOOD. How much is the tariff in those two countries that you have to pay to enter there?

Mr. NICHOLSON. In Germany and in France?

Mr. UNDERWOOD. Yes.

Digitized by Google

Mr. NICHOLSON. We pay the general tariff.

Mr. UNDERWOOD. You pay the maximum tariff in both countries?

Mr. NICHOLSON. So much a pound. On 6-inch files and under it is $9.50 for 220 pounds. That ranges down to $2.38 for over 13-inch.

Mr. DALZELL. Please state that again.

Mr. NICHOLSON. Six inches and under, $9.50 for 220 pounds, and from 6½ inches to the 13-inch, $5.95 for 220 pounds, and over 13 inches, $2.38 for 220 pounds.

Mr. UNDERWOOD. That is in Germany?

Mr. NICHOLSON. That is in Germany.

Mr. UNDERWOOD. Now, in France?

Mr. NICHOLSON. $5.20 for 220 pounds.

Mr. UNDERWOOD. Now, how much are you losing? You say you are making a loss in Germany and France.

Mr. NICHOLSON. I can not tell you. What do you want to get at?

Mr. UNDERWOOD. I want to get at what you can enter that market on, can make a profit, if the French tariff is reduced one-half.

Mr. NICHOLSON. I should say we could not.

Mr. UNDERWOOD. You would still make a loss?

Mr. NICHOLSON. I should say so.

Mr. UNDERWOOD. Then you are making a loss on your files going into Germany of something like $7.50 on 220 pounds?

Mr. NICHOLSON. Yes, sir.

Mr. UNDERWOOD. Suppose the entire tariff was taken off files going into Germany and France, could you enter the market then with your files and make a profit?

Mr. NICHOLSON. I should say we could hold our own then, if we could get back to the prices we had before.

Mr. UNDERWOOD. By "holding our own" you mean you could sell in those markets at a profit?

Mr. NICHOLSON. I think it would help us to make a profit on our other stuff.

Mr. UNDERWOOD. I am just trying to get you to answer the question: If the entire $9.50 was taken off in Germany, and you did not have to pay that tariff, at the prices you are selling there now would you make a profit?

Mr. NICHOLSON. We would not do that business and consider it profitable if that was our whole business.

Mr. UNDERWOOD. That is not an answer to my question.

Mr. NICHOLSON. I should say we would not make a profit, not when all our costs are entered and considered in the transaction. We did not go into the thing primarily with that point in view; neither did they.

Mr. UNDERWOOD. I am talking about the present cost price.

Mr. NICHOLSON. By "cost price," do you mean each item should stand its own proportion?

Mr. UNDERWOOD. I mean the factory cost price. That is what I am talking about. Now, you say if you went in there with freight added, without any duty, and sold at present prices you would be making a loss. Is that what I understand you to say?

Mr. NICHOLSON. I do not believe that portion of our business has shown a profit before or since the tariff.

Mr. UNDERWOOD. Now, how much higher do you sell your goods for in this market than you are selling them in the export market—in Germany, for example?

Digitized by Google

Mr. NICHOLSON. The prices vary in this country on the products that we make.

Mr. UNDERWOOD. But on the same class of goods, how much more are you selling them for in this country than in Germany?

Mr. NICHOLSON. On the same class of goods, from 25 to 28 per cent, I should think.

Mr. UNDERWOOD. From 25 to 28 per cent?

Mr. NICHOLSON. Yes.

Mr. UNDERWOOD. How much per cent is $9.50 on 220 pounds of files, as you calculated awhile ago? What per cent of the value is that?

Mr. NICHOLSON. You can not figure it. It would depend on the sort of composition that made up that 220 pounds.

Mr. UNDERWOOD. You said the duty would be $9. What is the value of those files—the class you sell in the German market?

Mr. NICHOLSON. That would be a haphazard guess.

Mr. UNDERWOOD. Give us the price of some of those products.

Mr. NICHOLSON. It might be $60. The invoice on that would be 15 per cent, would it not?

Mr. UNDERWOOD. It would be about 15 per cent.

Mr. NICHOLSON. I think so.

Mr. UNDERWOOD. And how much is the freight to take that box over there? How much does that amount to?

Mr. NICHOLSON. I could not say, but I should think it might be 90 cents a hundred.

Mr. UNDERWOOD. Then, from that statement, Colonel, it is very evident we can cut this duty, except on these Swiss pattern files below the grade of 4 inches—we can cut this duty off, cut it in two, and put you on as good a basis in this country as that on which you are able to sell at a profit in France and Germany.

Mr. NICHOLSON. I can not see it.

Mr. UNDERWOOD. That is what your figures would seem to point to. You are selling in the Orient part of your products. Are you paying a tariff there in the markets you enter?

Mr. NICHOLSON. We are just that.

Mr. UNDERWOOD. How much is that tariff?

Mr. NICHOLSON. That is only in Japan. I do not seem to have it here. At all events, that and the manufacture there have tended to bar us out there.

Mr. UNDERWOOD. Are you making a profit on the files which you enter in the Japanese market?

Mr. NICHOLSON. We have only sold 8,000 dozen.

Mr. UNDERWOOD. Is that at a loss?

Mr. NICHOLSON. We had to reduce our price to get those in.

Mr. UNDERWOOD. Are you selling under your factory price—your factory cost, with the freight added?

Mr. NICHOLSON. You are speaking just of the factory cost and freight added? You include no general expenses, and depreciation, and insurance, or anything else?

Mr. UNDERWOOD. Oh, yes; I count that as factory cost. What I count as factory cost is the cost of making the file, the overhead charges, the interest on your outstanding obligations, without profits.

Mr. NICHOLSON. Everything that enters into the cost of the file but the profit?

Digitized by Google

Mr. UNDERWOOD. That is what I call factory cost. Of course, I do not include in that interest on the capital, because that is profit.

Mr. NICHOLSON. That is not the way, as a rule, that the American manufacturers view their business—to go for foreign business or the foreigner to go for foreign business.

Mr. UNDERWOOD. I understand that; but I am asking a question from my point of view, not from yours.

Mr. NICHOLSON. It would show a loss.

Mr. UNDERWOOD. How much loss? Would it be a great per cent?

Mr. NICHOLSON. I could not tell you. I would be ashamed to tell some people what our loss would be.

Mr. UNDERWOOD. Would it be 1 per cent?

Mr. NICHOLSON. It would be a loss——

Mr. UNDERWOOD. Would it amount to a 5 per cent loss?

Mr. NICHOLSON. On that basis it would not be a profitable business to enter into for a moment.

Mr. UNDERWOOD. Well, I see that you are unwilling to give us the information, and therefore I take it that you are willing for us to come to our conclusions without the information.

Mr. NICHOLSON. With a variety of 3,500 kinds of files, with no two bills alike, it is difficult to tell just what percentage of loss a manufacturer would incur. I have stated that we would make a loss. I can not tell you what per cent. It would be ridiculous to attempt it.

Mr. UNDERWOOD. In your books at home, where you have estimated for yourselves this business in Germany and France and the Orient—do you carry that business on your books at a loss in your own countinghouse?

Mr. NICHOLSON. They are carried there for what they are. We sell them and we get the money.

Mr. UNDERWOOD. In your reports and on your books—are you carrying this foreign business on your books as a loss?

Mr. NICHOLSON. Yes. If these goods had charged to them their proportion of all the expense, they would show a loss.

Mr. UNDERWOOD. I am not putting any "ifs" in. You keep a set of books, do you not?

Mr. NICHOLSON. Yes.

Mr. UNDERWOOD. And I want to know whether your books disclose a loss on this foreign business.

Mr. NICHOLSON. We filled last year over 55,000 orders for files. We do not go through and dissect each invoice to see whether it is a loss, or how much of a loss it is. We know that business is unprofitable.

Mr. UNDERWOOD. You keep an account of your foreign trade, don't you?

Mr. NICHOLSON. Yes, sir.

Mr. UNDERWOOD. In the last nine years, since you have been president of this company——

Mr. NICHOLSON. Since 1892——

Mr. UNDERWOOD. Have you reported since then at any time to your directors that the foreign business that you are doing has been at a loss, as a whole?

Mr. NICHOLSON. You ask have I reported it?

Mr. UNDERWOOD. Yes. Is there a single one of your reports that shows that fact?

Digitized by Google

Mr. NICHOLSON. Every one of my reports would show it if I were to explain to them that each invoice on each foreign account should bear its proportion to the 100 per cent of expense of making that file. But we never have figured that that would be the basis of entering the export business. If we got our factory cost, our inside cost, that is all we can expect. That enables us to get our other business cheaper. Our inside cost would be enhanced very largely by the total cost.

Mr. UNDERWOOD. I understand you to say, when you shipped those goods abroad you certainly make your inside cost with freight added?

Mr. NICHOLSON. We try to make our inside cost. I did not say freight.

Mr. UNDERWOOD. What is the per cent of your overhead cost as compared with your labor cost on files?

Mr. NICHOLSON. I do not believe that condition would be the same in any two factories in the country. Different people have different ways of figuring.

Mr. UNDERWOOD. I will take your own figures. I believe you said the labor cost of files was about 65 or 70 per cent, this morning?

Mr. NICHOLSON. Yes.

Mr. LONGWORTH. That is the large size, or is that the average?

Mr. UNDERWOOD. He said the average was 65 to 75 per cent. Now your material cost, you said, was about 17 per cent?

Mr. NICHOLSON. Yes.

Mr. UNDERWOOD. Seventeen added to 70 will make 87 per cent.

Mr. NICHOLSON. Eighty-seven, I should say.

Mr. UNDERWOOD. Yes: 17 added to 70 would make 87 per cent. That is right. Now, the other charges would be 13 per cent?

Mr. NICHOLSON. Yes.

Mr. UNDERWOOD. Then your inside cost has covered all except that 13 per cent?

Mr. NICHOLSON. No; they cover that.

Mr. UNDERWOOD. They do cover that?

Mr. NICHOLSON. We will cover that with the other supplies, and so forth. That makes up the 100 per cent.

Mr. UNDERWOOD. You said your factory price was the inside price, which must include the cost of labor and material in the factory; so that the business administration must represent what is above that, 13 per cent.

Mr. NICHOLSON. Not at all. If you have been able to get two men to come here who will come here to tell you what constitutes cost in any large factory and have them agree as to details, I will tell you what I would say. We have raw material, we have labor and supplies, we have repairs, we have expenses inside. That is 100 per cent. Now, when you come to shipping, to the interest charges, to the executive cost, to the taxes, to the insurance, to the depreciation, you have got other items; and every fellow that I have had any experience with takes and figures that 40, 50, 70, and 100 per cent. He adds the whole items that he has got first, 100 per cent.

Mr. UNDERWOOD. But that all comes under the 13 per cent you left, because if you were stating candidly the facts this morning to the chairman, when he asked you about what the percentage of the cost of the article was in labor, and you said 65 or 70 per cent and then

Digitized by Google

said there was 17 per cent of it cost of material, you did not leave the 13 per cent out of which you could figure these other propositions.

Mr. NICHOLSON. Those are the propositions to figure in that 13 per cent.

Mr. UNDERWOOD. They have got to come in that 13 per cent?

Mr. NICHOLSON. Oh, no; I beg your pardon.

Mr. UNDERWOOD. Then your original statement as to the amount of labor cost was not correct, because there can not be more than 100 per cent of the entire cost price.

Mr. NICHOLSON. If I misunderstood you to say the factory cost to me is the inside cost——

Mr. UNDERWOOD. Your labor cost and the material cost are bound to be in the factory cost, are they not?

Mr. NICHOLSON. They are.

Mr. UNDERWOOD. Then the other items must be included in the 13 per cent.

Mr. NICHOLSON. What? Grindstones and supplies and everything else? Do not misunderstand me, sir. I would not stand on the record that 13 per cent would cover executive ability and everything of that sort.

Mr. UNDERWOOD. Are the foreign files made by machinery or by hand?

Mr. NICHOLSON. Generally by machinery to-day; ten years ago by hand.

Mr. UNDERWOOD. Is not the labor cost in this country, per file, per unit of files, as small, on account of the efficiency of the American labor, as the labor cost abroad?

Mr. NICHOLSON. I should say not. I should say that in Germany, in Switzerland, in Sweden, in Austria, and in some factories in Sheffield, the efficiency of the labor was quite as good as it is here; that the cost per unit is less.

Mr. UNDERWOOD. Well, how much less?

Mr. NICHOLSON. That I can not tell you. You have not been able to find it out. Neither have we, though we have tried.

The CHAIRMAN. We have some of them.

Mr. UNDERWOOD. Now, Colonel, when you take your product of files, add a very high rate of duty, and go into Germany in competition with the German manufacturer, I think it is up to you to explain to this committee exactly the difference in cost, in labor cost, and in the efficiency of labor; that is, if you are asking a duty from us, if you are asking us to maintain the protective tariff. We will have a meeting after lunch, and if you can ascertain those facts I would be glad, for my own enlightenment, if you could enlighten us.

The CHAIRMAN. I desire to ask you a question or two. You said this morning that in billing your goods you made discounts, sometimes 70 and sometimes as much as 80 per cent, depending largely on the size of the bill, or based somewhat on the size of the bill. Is that correct?

Mr. NICHOLSON. And on the character of the trade sold.

The CHAIRMAN. For various good reasons to yourself, you made discounts varying from 70 to about 80 per cent?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. Now, if such an invoice was composed partly of this Swiss pattern file and partly of other files, I suppose the discount would be the same on the whole bill?

Digitized by Google

Mr. NICHOLSON. No, sir.

The CHAIRMAN. What difference does it make?

Mr. NICHOLSON. There is a different scale of discounts based on that yellow list that you had this morning.

The CHAIRMAN. What is that scale of discounts?

Mr. NICHOLSON. That runs, perhaps, from 50 to 65 per cent.

The CHAIRMAN. Never over 65 per cent?

Mr. NICHOLSON. Yes; I think we have had instances of 70 per cent.

The CHAIRMAN. I suppose if a man bought $10,000 worth of files—I do not know anything about it, but say a large order—and 20 per cent were Swiss files, you would put them all in at the same discount?

Mr. NICHOLSON. No; never put them in at the same discount.

The CHAIRMAN. You would always make a distinction between the Swiss and the other files?

Mr. NICHOLSON. Yes.

The CHAIRMAN. And that relates to the whole Swiss line?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. You said you had a factory in Canada. Where is that?

Mr. NICHOLSON. At Port Hope, Canada.

The CHAIRMAN. Just give us the files by the dozen, there; for instance, take any particular block; take those not exceeding 2½ inches. That is the first, is it not?

Mr. NICHOLSON. Yes.

The CHAIRMAN. What is the piece price for making those files at Fort Hope?

Mr. NICHOLSON. We have not that. We have no data to furnish that.

The CHAIRMAN. You have no data to furnish that?

Mr. NICHOLSON. No, sir; we have no data to furnish that.

The CHAIRMAN. No data?

Mr. NICHOLSON. No, sir.

The CHAIRMAN. You do not know what you are paying in Canada for labor?

Mr. NICHOLSON. For a 2½-inch file?

The CHAIRMAN. Yes.

Mr. NICHOLSON. When we have 3,500 varieties? We make 3,500 varieties.

The CHAIRMAN. You make 3,500 different kinds?

Mr. NICHOLSON. Yes.

The CHAIRMAN. That is true, but you do not have a piece price for every separate one of the 3,500 kinds, do you?

Mr. NICHOLSON. We do not. Each file is handled 150 times.

The CHAIRMAN. What is that?

Mr. NICHOLSON. Each file is handled at least 150 times. How could you make a piece price? You mean the cost or the selling price?

The CHAIRMAN. I mean the price paid for labor, per dozen. You say you pay by the piece.

Mr. NICHOLSON. In the cutting.

The CHAIRMAN. I will tell you what I want to do. I want to get a comparison of the price you pay in Canada and the price you pay in the United States. You know about it, do you not?

Digitized by Google

Mr. NICHOLSON. Yes; now you are asking a different question.

The CHAIRMAN. No; I am asking you to take the files not exceeding 2½ inches in length, and I am asking you if there is the same price prevails, and I understand you to say no.

Mr. NICHOLSON. Labor is cheaper in Canada.

The CHAIRMAN. I do not care about having you give us generalizations. I want the details.

Mr. NICHOLSON. My dear sir, if I could give you—

The CHAIRMAN. We have evidence that labor is not cheaper in Canada. I want you to give me the prices you pay. Single out any one article or any dozen articles, and tell me what price you pay?

Mr. NICHOLSON. You had about 20 files this morning.

The CHAIRMAN. I do not care to discuss the Swiss files. You do not make the Swiss files in Canada?

Mr. NICHOLSON. No, sir.

The CHAIRMAN. Now, take the others. On the same kind of a file, give me the price you pay per dozen pieces for making them in Canada, for the labor, and the price you pay in the United States for the labor, for the same file.

Mr. NICHOLSON. For the same file?

The CHAIRMAN. For the same file.

Mr. NICHOLSON. I have not that data.

The CHAIRMAN. You can not give me that?

Mr. NICHOLSON. Not to-day.

The CHAIRMAN. I want you to send it to us.

Mr. NICHOLSON. Very well.

The CHAIRMAN. How soon can you send it?

Mr. NICHOLSON. If it is some particular file, I can. You spoke of the 2½-inch file.

The CHAIRMAN. Take some style, referring to your notes, take some file not more than 7 inches long.

Mr. NICHOLSON. We can take a 4-inch flat bastard file in both cases. You understand, Mr. Chairman, that the cutting is only one operation, with a job price. The grinding is one operation, and that has a job price, and the drawfiling is a job price, and each of those prices varies in Canada from the corresponding price in the United States. There are a number of other operations, such as hardening, which are paid for by the job.

The CHAIRMAN. Has your factory a list of the wages you pay on the different files?

Mr. NICHOLSON. No, sir; there has never been any such thing in any factory in the world.

The CHAIRMAN. I mean do you keep account of your labor?

Mr. NICHOLSON. We know what the labor totals to the output.

The CHAIRMAN. No; I mean your labor to the piece. You know what I mean.

Mr. NICHOLSON. Mr. Chairman——

The CHAIRMAN. What is that?

Mr. NICHOLSON. I beg to——

The CHAIRMAN. If you do not want to answer it, do not.

Mr. NICHOLSON. Most assuredly I do, if we have the facts.

The CHAIRMAN. I think you can answer me and answer me fairly and clearly, and I should advise you to do it, but you can do as you please about it.

Digitized by Google

Mr. NICHOLSON. My dear sir, we never have kept what a 2-inch file cost to make in Canada and what it cost to make here.

The CHAIRMAN. I asked you for the piece price on any particular file, and then I asked you if you had a list from which you made up your pay rolls, and you said you had not, and then I asked you how could you make up a pay roll.

Mr. NICHOLSON. Why, Mr. Chairman——

The CHAIRMAN. What is that?

Mr. NICHOLSON. We do make a cutting list up there for cutting these files, and we have a cutting list here.

The CHAIRMAN. Does that vary according to the size of the file?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. And not according to the length?

Mr. NICHOLSON. Both.

The CHAIRMAN. So that you have a list that shows that?

Mr. NICHOLSON. What we pay for cutting?

The CHAIRMAN. Yes.

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. And what you pay for grinding?

Mr. NICHOLSON. What we pay for grinding, and what we pay the men as a rule—not for each file. It is what they turn out a day.

The CHAIRMAN. What is that—for the day?

Mr. NICHOLSON. Yes; what they turn out. What it is a day.

The CHAIRMAN. Then we were mistaken when we understood you to say this morning that you had a piece price on these files?

Mr. NICHLSON. I beg your pardon, we have a piece price.

The CHAIRMAN. You have a piece price only on cutting?

Mr. NICHOLSON. Yes; we have a piece price on grinding, also.

The CHAIRMAN. And a piece price on what else?

Mr. NICHOLSON. Cutting.

The CHAIRMAN. On cutting and grinding?

Mr. NICHOLSON. Cutting and grinding and forging.

The CHAIRMAN. On cutting and grinding and forging. Anything else?

Mr. NICHOLSON. In some cases on hardening; in other cases not.

The CHAIRMAN. Anything else?

Mr. NICHOLSON. No, sir—drawfiling.

The CHAIRMAN. Four prices. Now, you have a list of prices—a scale of prices?

Mr. NICHOLSON. Yes; we do. We have a scale of prices here and a scale of prices in Canada.

The CHAIRMAN. Will you give us a copy of the scale of prices in Canada and the scale of prices here?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. And give us an affidavit from somebody who knows about the prices, if you will. How soon can you send that; within a week?

Mr. NICHOLSON. Within a week, I should say.

The CHAIRMAN. You will send us that within a week, then. Mail it to the clerk of the committee. I think that is all I desire to ask now. Mr. Boutell, I think you said you had a question to ask.

Mr. BOUTELL. In selling your goods in the Orient, who is your chief competitor?

Digitized by Google

Mr. NICHOLSON. In the Orient? Sheffield and Germany, principally. Those are the two principal competitors.

Mr. BOUTELL. British and German manufacturers?

Mr. NICHOLSON. Yes, sir; British and German manufacturers.

Mr. BOUTELL. Which one should you say pressed you the hardest?

Mr. NICHOLSON. At the present time the Germans.

Mr. BOUTELL. Now, I want to ask some questions in reference to the acquisition of a new customer and the holding of a customer. In securing a new customer for files, I suppose the factors are the same as in any other commodity, are they not?

Mr. NICHOLSON. I should say so.

Mr. BOUTELL. The principal ones being quality and price.

Mr. NICHOLSON. Quality and price.

Mr. BOUTELL. Yes; and those are the factors which play the most important part in the case of your rival in competing for the custom of a new customer, are they not?

Mr. NICHOLSON. Yes, sir.

Mr. BOUTELL. But when you have once acquired a customer, I take it that there is a third factor which comes in, in addition to quality and price, enabling you to hold the customer, and that is a sentiment in favor of goods that they have been using and that have given satisfaction.

Mr. NICHOLSON. Yes.

Mr. BOUTELL. Is not that true?

Mr. NICHOLSON. It is.

Mr. BOUTELL. Does not this sentiment in favor—to give a concrete illustration—of the Nicholson file act as quite a substantial barrier to prevent the inroads of rivals?

Mr. NICHOLSON. In foreign countries, you mean?

Mr. BOUTELL. Anywhere.

Mr. NICHOLSON. Yes; but not to the extent in foreign countries that it does in this country, because we have not been before the public there—before the consumer—to such an extent as to win those lifelong friends to that extent.

Mr. BOUTELL. Yes, I understand; but with that qualification that is true?

Mr. NICHOLSON. Yes, sir.

Mr. BOUTELL. In other words, in getting a customer the quality and price of the goods are the two great factors?

Mr. NICHOLSON. They are the factors.

Mr. BOUTELL. And when you have got a customer——

Mr. NICHOLSON. You hold him on merit and good will.

Mr. BOUTELL (continuing). You hold him on merit and good will, and then you are enabled to put up the price a little in competition with rivals?

Mr. NICHOLSON. That is our original aim, and that is what we are striving for.

Mr. BOUTELL. Now, in seeking for foreign custom on the two factors of merit and price, if we assume that your rival's goods are of the same merit, then the recognized plan the world over for getting a new customer is to give your goods to him at a price at which he will buy, is it not?

Mr. NICHOLSON. Yes, sir.

Digitized by Google

Mr. BOUTELL. In trying to put your goods into the Orient, for example, where you come into competition with Germany and Great Britain, have you run across the system which, by British traders and economists and manufacturers, is called "dumping"—that is, endeavoring to create a demand for their goods and a sentiment in favor of their goods by selling them at any price which the purchasers will give until they have established a market and a demand, and a sentiment in their favor. Do you run across that in your business?

Mr. NICHOLSON. In our files?

Mr. BOUTELL. Yes.

Mr. NICHOLSON. We have run across it, but we have not met it to that extent. The Germans have in some instances done it.

Mr. BOUTELL. That is, the Germans practice it?

Mr. NICHOLSON. They practice it.

Mr. BOUTELL. Yes.

Mr. NICHOLSON. But I do not know that they practice it; I can not say that they practice it on their high-grade files.

Mr. BOUTELL. I may say that in the parliamentary examinations taken before a committee of the British Parliament concerning rivalry in the Orient and South America in the textile trade it appeared that the commonest method of getting a new customer by Germany, France, and Great Britain was by selling their goods away below what they sold them for at home, sometimes even away below the cost of production, in order to get a customer.

Mr. NICHOLSON. Yes.

Mr. BOUTELL. Now, what I ask is whether this process of dumping, in which Great Britain seems to be the greatest international offender, is something that you have to meet in your business.

Mr. NICHOLSON. We have to meet it to some extent where our men are there and we are anxious to get an inroad; but we do not instigate it that I know of.

Mr. BOUTELL. I understand. What I want to get at is whether that is not a well-recognized custom in the trade in getting new custom?

Mr. NICHOLSON. I think it is, in certain countries at least.

Mr. BOUTELL. To get the goods in use?

Mr. NICHOLSON. Yes, sir.

Mr. BOUTELL. You meet German competition in the Argentine?

Mr. NICHOLSON. Yes.

Mr. BOUTELL. In Buenos Aires?

Mr. NICHOLSON. Yes, and French.

Mr. BOUTELL. The Germans and the French are your principal competitors in Buenos Aires?

Mr. NICHOLSON. And the English; those three.

Mr. BOUTELL. Do you find this same method of acquiring a new market in South America that you do in the Orient?

Mr. NICHOLSON. Yes; to quite a perceptible extent in South America. I have in mind one very large producer of steel goods in England, which has the market—possesses the market—of England. They have practically a monopoly; I think they have a monopoly. They sell their goods at various discounts from the same list in various countries. The cheapest country that I know of that they sell their stuff in is South America.

Digitized by Google

Mr. BOUTELL. Two more questions about this method of carrying on business.

Mr. NICHOLSON (continuing). And there is a wide range between that discount charged those people at home and this fellow in South America. Excuse me for interrupting you.

Mr. BOUTELL. So that there may be very many instances of a manufacturer selling abroad cheaper than his normal price at home, which is due to the fact that he is adopting the ordinary international commercial method known among manufacturers of getting a new market?

Mr. NICHOLSON. It is so.

Mr. BOUTELL. I had supposed it was so from these reports in regard to the textile industry that it applied to other goods just as well.

Mr. NICHOLSON. It is in our line.

Mr. BOUTELL. Now, another thing. When a man is engaged in any kind of business, whether it is extractive industry, farming, mining, or lumbering, whether he is engaged in a manufacturing business such as yours or in trading, his annual balance sheet is made up of the sum of his entire business during the year, is it not?

Mr. NICHOLSON. Exactly.

Mr. BOUTELL. And the business man does not figure, does not keep his books, on the theory that he lost on this bill of goods or made on that bill of goods; that he lost on this invoice or gained so much on that invoice?

Mr. NICHOLSON. It would be impossible. If he did, he would lose on everything; that is, the cost of arriving at that data would be so expensive that he would lose. As I said, we invoiced last year between 52,000 and 56,000 invoices. Now, no two of those were the same composition; some covered four or five pages of written invoice and others, perhaps, would cover a half a page. They would take a wide range of files.

Mr. BOUTELL. Again, a man who has anything to sell, whether he digs it out of the ground or makes it or buys it from somebody else—a man who has something to sell in quantities—his effort is to sell the entire bulk of what he has to sell at the greatest possible total figure, is it not?

Mr. NICHOLSON. Yes; certainly.

Mr. BOUTELL. And he sells all he can to his best customer, does he not?

Mr. NICHOLSON. Yes.

Mr. BOUTELL. And then he sells all he can to his second best customer?

Mr. NICHOLSON. Yes.

Mr. BOUTELL. And then he sells all he can to the third best, and so on down the line; but whatever he sells, he tries each year to sell what he makes or what he has to sell?

Mr. NICHOLSON. And if he is an American he is anxious to enhance his this year's product over his last.

Mr. BOUTELL. And he figures out his result for the year from the total operations?

Mr. NICHOLSON. Yes.

Mr. BOUTELL. And if his total operations show a profit, he has got a profitable business? That is the way business men figure?

Digitized by Google

Mr. NICHOLSON. Yes; that is the way we have figured it since we have been engaged in our business. I do not know any other way to figure it.

Mr. BOUTELL. In disposing of your entire product, selling all you can to your best customer and then all you can to your second best, and so on down the line, it is always good business, is it not, to have the men who get the different prices on your goods as far apart as possible, and to have them know as little about the prices which the others pay as possible?

Mr. NICHOLSON. I do not quite follow that, sir. As you understand, we sell from a uniform list.

Mr. BOUTELL. Oh, I understand; but if you have two wholesale dealers right alongside of each other, you naturally sell to those two men at the same price, if possible?

Mr. NICHOLSON. Yes; or we would be apt to if one was in Portland, Me., and the other in Portland, Oreg.

Mr. BOUTELL. Mr. Hill says it depends on the way they pay their bills. Mr. Hill has been in business and I have not, I admit that; but if they paid their bills equally well, you would not make a price different between men right alongside of each other?

Mr. NICHOLSON. You could not, in this country, make a difference. You would have to treat your jobbing friends alike in this country.

Mr. BOUTELL. And if you have anything to sell abroad or have any surplus to dispose of, it is good business to sell that as far away from your best customer as possible?

Mr. NICHOLSON. Yes.

Mr. BOUTELL. That would seem to be so to me, although I have never been in business. It seems like common sense.

Mr. NICHOLSON. Yes.

Mr. BOUTELL. On December 11, 1908, Mr. H. E. Miles says:

A representative of an organization of 100 importers and exporters wished to present certain evidence to the committee, and the gentleman who spoke to me said he would lose his financial standing and be financially ruined, possibly, if he appeared in person before you; and so, with that explanation, trusting to the committee to protect him fairly, he asked me to present copies of invoices from his books, concerning which, I believe, I can satisfy the committee by affidavits or otherwise, as the chairman may desire, as to their authenticity and propriety.

After that tragic and pathetic appeal he goes on and furnishes these two invoices referred to, and in response to a question from Mr. Dalzell as to what kinds of files were included in these two invoices he says:

"Yes, sir; they are of twenty-six different lengths and sizes. The price to the domestic consumer on this invoice is $274.90, or 40 per cent more than the price for export."

Now, the question which I wish to ask is whether that difference in sales for export and sales to domestic consumers prevails to any large extent. I can understand from what we have previously developed that you might sell a high grade of file to a small customer and dump an invoice of goods in Buenos Aires to get a customer at that difference, but does that 40 per cent which he speaks of there represent the normal difference between your normal sales abroad and your normal sales in this country?

Mr. NICHOLSON. He quotes a discount there for export of 70 and 5 and 2½ for that bill. Our export discounts will run along 70 and

Digitized by Google

5 and 2½ to 70 and 5 and 5, so that that is a fair statement. The particular files that that particular invoice calls for show, perhaps, a high duty cost. Now, the particular files that that invoice calls for, according to that particular consumer, show a high domestic price charged to that particular consumer.

Mr. BOUTELL. The only invoice which he refers to here is the invoice of a bill of goods sold for export.

Mr. NICHOLSON. And one to a consumer here.

Mr. BOUTELL. I thought they were identical.

Mr. NICHOLSON. It is the same invoice; yes, sir.

Mr. BOUTELL. Did such a thing actually happen? Can you identify these invoices?

Mr. NICHOLSON. I should say it did.

Mr. BOUTELL. Who was the domestic purchaser?

Mr. NICHOLSON. I could not say that. That was one of the great number of bills that we sent out of the country. I could probably, in time, trace up that particular invoice.

Mr. BOUTELL. The particular invoice to the foreign purchaser?

Mr. NICHOLSON. Yes; the particular invoice to the foreign purchaser.

Mr. BOUTELL. How about the invoice to the domestic purchaser?

Mr. NICHOLSON. He simply says that that same invoice—we would have about 70–10–10½–2½ off of the American list, in this case.

Mr. BOUTELL. This is not a case of a bona fide sale to a domestic purchaser?

Mr. NICHOLSON. No, sir. He simply takes a foreign invoice and contends that if his small factory had paid that particular bill he would have had to pay so and so for it.

The CHAIRMAN. As I understand, the prices are catalogue prices and the discount is not unusual for a bill of that kind?

Mr. NICHOLSON. Of that kind; yes, sir.

Mr. BOUTELL. What I wanted to get at was if there was any actual man, and he says there was not.

Mr. NICHOLSON. No, sir; there is no actual man.

Mr. BOUTELL. And I wanted to find out who it was. Now, Mr. Miles goes on, continuing from what I read before:

> This could be verified very easily if the committee would investigate what is called the file trust—the Nicholson File Company.

Now, can you tell who calls the Nicholson File Company the file trust?

Mr. NICHOLSON. Evidently this Mr. Miles does.

Mr. BOUTELL. Does anybody else, that you know of, in the United States?

Mr. NICHOLSON. We have been accused of being a file trust by enemies.

Mr. BOUTELL. Have you ever been proceeded against by any competent legal authority?

Mr. NICHOLSON. No, sir.

Mr. BOUTELL. To be dissolved as a trust?

Mr. NICHOLSON. No, sir; never have heard of it.

Mr. BOUTELL. Are you a trust?

Mr. NICHOLSON. What is a trust?

Mr. BOUTELL. I ask you. I am trying to find out whether you are one. It is a process of elimination.

Digitized by Google

Mr. NICHOLSON. If we are, I think we are a good trust.

Mr. BOUTELL. You recognize the authority that there may be bad trusts?

Mr. NICHOLSON. Yes.

Mr. BOUTELL. If you are a trust, you are good?

Mr. NICHOLSON. Yes.

Mr. BOUTELL. That is, if you are a trust, you are a good trust?

Mr. NICHOLSON. I think so.

Mr. BOUTELL. Now, we can not get any more light on that subject. Let us see how the next sentence will go:

which are said to control the entire file business of the United States.

Do you know who says that?

Mr. NICHOLSON. No; I do not.

Mr. BOUTELL. With reference to files, I mean?

Mr. NICHOLSON. No.

Mr. BOUTELL. Your bitterest enemy has not accused you of controlling the entire file business of the United States?

Mr. NICHOLSON. No; he could not, very well.

Mr. BOUTELL. So that the insinuation there that the Nicholson File Company, of Providence, R. I., is a trust, is a mere expression of opinion on his part, and the insinuation that you control the entire file business of the United States is incorrect?

Mr. NICHOLSON. Incorrect.

Mr. BOUTELL. That is all.

Mr. HILL. Just one question. Take the first item in this paragraph. What is the average wholesale price of files 2½ inches in length and under, as near as you can get at it?

Mr. NICHOLSON. They would come under the general discount.

Mr. HILL. And what is the average price per dozen?

Mr. NICHOLSON. Oh, the average price per dozen?

Mr. HILL. Two and a half inches and under.

Mr. NICHOLSON. That is a thing I could not answer offhand. I would if I could.

Mr. HILL. The duty is based on that; that is the reason I asked you that. The duty is 30 cents per dozen on files 2½ inches in length and under.

Mr. NICHOLSON. Yes.

Mr. HILL. What I want to know is, what is the average price of that class of goods on which the duty is 30 cents a dozen, average?

Mr. NICHOLSON. I could not say.

Mr. HILL. Is it a dollar or $2?

Mr. NICHOLSON. No; I should think it might be 65 or 70 cents.

Mr. HILL. I could not expect you to give it accurately.

Mr. NICHOLSON. No; I would not want to go on record about that.

Mr. HILL. What is the average price of the files on which the duty is 50 cents a dozen, running from 2½ inches to 4 inches in length? Just give it roughly, estimated on the same basis on which you estimated the other at 65 or 70 cents. Would it reach a dollar?

Mr. NICHOLSON. No, sir; I should not say so.

Mr. HILL. About how much?

Mr. NICHOLSON. I should say about 10 cents more.

Mr. HILL. That would be 75 to 85 cents?

Mr. NICHOLSON. Yes, sir.

Digitized by Google

Mr. HILL. Now, on the files running over 4½ inches in length and under 7 inches, what would it average?

Mr. NICHOLSON. I should say perhaps 7½ to 10 cents more.

Mr. HILL. Beyond the 75 cents?

Mr. NICHOLSON. Yes.

Mr. HILL. Which would be 85 to 95 cents?

Mr. NICHOLSON. Eighty-two and a half cents to 90 cents.

Mr. HILL. And as to the average selling price of the files on which the duty is a dollar a dozen, running 7 inches in length and over, of course that has a much wider margin?

Mr. NICHOLSON. Very wide.

Mr. HILL. Would it go over a dollar?

Mr. NICHOLSON. Yes; I should think so.

Mr. HILL. Would it be a dollar and a quarter?

Mr. NICHOLSON. Yes; I should think more than that, because it has a very wide range.

Mr. HILL. I understand it has a very wide range, but there must be some general average. Would it be $1.50? Would it go to $1.50?

Mr. NICHOLSON. Yes; I should think it would.

Mr. HILL. Would it go beyond $2?

Mr. NICHOLSON. That might be nearer.

Mr. HILL. All right; call it $2?

Mr. NICHOLSON. Yes.

Mr. HILL. Do you export from your Canadian factory, aside from what you export under the preferential rate which England has?

Mr. NICHOLSON. No, sir.

Mr. HILL. You do ship to England under the preferential rate, but you do not supply your general wholesale trade from the house in Canada?

Mr. NICHOLSON. No, sir; and only one house in England.

Mr. HILL. And you do not ship from there to Germany?

Mr. NICHOLSON. No, sir.

Mr. HILL. Canada does not have a preferential rate from Germany?

Mr. NICHOLSON. I do not think so.

Mr. HILL. And you are quite confident that you do not supply your general export trade from Canada?

Mr. NICHOLSON. Only one house.

The CHAIRMAN. You do not lose anything on the goods you sell at 80 per cent off from the list price, do you?

Mr. NICHOLSON. No, sir.

The CHAIRMAN. You make money on those?

Mr. NICHOLSON. Yes, sir.

Mr. HILL. One other question. My understanding of it, as I have noted it here, is that taking $100 worth of files, your estimate generally is that 65 per cent of it would be labor, taking the whole of it in that way. I think you said that this morning?

Mr. NICHOLSON. Yes; 65 per cent.

Mr. HILL. And your steel material would be about 15 per cent?

Mr. NICHOLSON. Yes.

Mr. HILL. Leaving 20 per cent for general expenses.

Mr. NICHOLSON. I put it this morning 17 to 18 per cent; that would leave 12 to 13 per cent.

Mr. HILL. You would be entitled to as much protection on the general expenses as on the labor, would you not?

Digitized by Google

Mr. NICHOLSON. Yes.

Mr. HILL. I think so, too.

Mr. NICHOLSON. Yes.

Mr. HILL. So that the cost is made up of 65 per cent labor, 15 per cent material, and 20 per cent general expenses and interest and cost of wear and tear?

Mr. NICHOLSON. That is wrong.

Mr. HILL. I asked that so as to get you to give it again.

Mr. NICHOLSON. No, sir; I am figuring factory cost when I make that 100 per cent. Sixty-five to 70 per cent is the inside labor and 12 per cent or more for material.

Mr. HILL. What would you say was the proportion of the material?

Mr. NICHOLSON. On that basis, here is the 100 per cent of your factory costs, inside. Of that I am putting 65 to 70 per cent for labor, 17 to 18 per cent for material—that is, raw material—and the balance for all sorts of supplies.

Mr. HILL. That would make 82 per cent, and 18 per cent would be 100 per cent.

Mr. NICHOLSON. There is your 100 per cent.

Mr. UNDERWOOD. Does it cost you any more to sell your goods abroad than at home?

Mr. NICHOLSON. Does it cost us anything more?

Mr. UNDERWOOD. Yes.

Mr. NICHOLSON. In what way?

Mr. UNDERWOOD. I do not mean to ask, of course, if it costs you more in freight rates, because I suppose, of course, it does; but, exclusive of freight rates, do your advertising and your agents and your efforts to sell your product cost more abroad than at home?

Mr. NICHOLSON. Yes; you have to have a better grade of salesmen to enter those markets, and you have interest.

Mr. UNDERWOOD. How much more does it cost you to sell abroad than at home? In other words, tell the committee what you do, first, to sell abroad; in what way you attempt to advertise your goods and bring them before the public, and then how much more it costs you than at home.

Mr. NICHOLSON. We use the same principles that are used here, advertising in some of the principal papers and getting up circulars and catalogues and advertising schemes for the particular customers. For instance, one of our houses last year, I think, circulated some 7,000 or 8,000 tin signs that cost them a lot of money.

Mr. UNDERWOOD. Do you maintain brokers or sales agents there?

Mr. NICHOLSON. They all radiate from our factory. We have seven, and they travel from our factory. They go all over the world outside of this country.

Mr. UNDERWOOD. How much more does it cost you to maintain that selling force and for your advertising expenses abroad than it does at home?

Mr. NICHOLSON. It costs us quite a little more for the amount of business we do; very much more, of course.

Mr. UNDERWOOD. I wanted to get at that.

Mr. NICHOLSON. You want to know what a salesman would cost in this country and what a salesman would cost abroad?

Digitized by Google

Mr. UNDERWOOD. No; just the general proposition—how much more it costs to advertise and sell your goods abroad than it does to advertise and sell your goods at home. What percentage more?

Mr. NICHOLSON. I should think that the selling, which would include the salesman and his expenses, and so forth, would cost us at least 40 per cent more.

Mr. UNDERWOOD. Deducting that 40 per cent and deducting the tariff that you have to pay to enter these countries, deducting that from your selling price, would it still leave you selling in those countries at a loss?

Mr. NICHOLSON. Yes, sir. If we did that business for nothing, you mean?

Mr. UNDERWOOD. I mean if you were selling in Germany or France on the same relative conditions, with a free-trade market and the same cost of advertising and selling that you have at home, would you be selling in that country at a loss? Would your goods be at a loss when you sold them there at your present prices?

Mr. NICHOLSON. I should think it would be difficult to find much of a margin of profit.

Mr. UNDERWOOD. Then I judge from that answer that you can not say there would be a loss.

Mr. NICHOLSON. I should not think there would be a profit.

Mr. UNDERWOOD. I just want a candid answer. Do I understand you to say that you think there would not be a profit? Do you mean to say there would be a loss?

Mr. NICHOLSON. I tried to explain this morning, and I did not make myself clear, perhaps, that in the attempt to develop a foreign business we did it purely and simply in the interest of America, in the interest of the workingmen that we could find employment for, and in the development of this industry, which I must say up to this time has been a credit to the United States.

Mr. UNDERWOOD. I have no criticism to make on that point.

Mr. NICHOLSON. When we went into that business and tried to develop that business abroad we took such items of cost and said: "That is our bare factory cost inside, our insurance, our taxes, our wear and tear. Lots of expenses should not and must not be taken in figuring the cost of these goods we are selling abroad. We are going to figure them exactly as Mr. Boutell says; we are willing to sell them if we can get back our bare factory cost, our inside cost, because it enables us to run steadier, and we do not have this constant fluctuation, running 3,000 employees for three months, and then perhaps closing down for the two following months because our shelves are filled, and so forth.

Mr. UNDERWOOD. I am not criticising you at all for trying to develop the foreign trade. I think you deserve great credit for developing the foreign trade; but that is not the proposition I am trying to get at. I am trying to satisfy my own mind as to the status of this business of yours, by which I can come to a conclusion about it myself.

Mr. NICHOLSON. Yes.

Mr. UNDERWOOD. And it is for that reason I wanted to know, when you deducted the tariff cost for entering these countries, if you went in there on a free-trade basis, and you also deducted the additional 40 per cent of cost that it required for you to advertise your goods

Digitized by Google

in a foreign market, would you go into those countries and sell your goods still at a loss?

Mr. NICHOLSON. I do not believe that any of you gentlemen would care one cent for the investment, if that represented your entire business.

Mr. UNDERWOOD. Probably not; but that does not answer my question at all. If you were going in there on just even terms, we would not want that kind of an investment.

Mr. NICHOLSON. You can not figure even terms on a business of this kind. It may seem strange, but you can not. I will not go as far as to say you can not, either; but if you consider the numerous kinds of files we have to make and carry in stock, and pay interest on, and that become dead stock and stay on our shelves for twenty years, and all that sort of thing, all those things become factors in the basis of the cost.

Mr. UNDERWOOD. Let me put this question. You are unquestionably a man of ability, and you unquestionably must know your business to have developed the greatest business of that kind in the country. I take it you must know whether you are making profits or losses, and it seems to me we are entitled to a candid answer from you.

Mr. NICHOLSON. I will say this to you, that I do not believe that for the fifteen years we have been conducting an export business, that business has shown a profit. Now, that covers fifteen years.

Mr. UNDERWOOD. But the question is this. I am not asking you about your business of fifteen years. Of course I recognize when you first developed your business, in the early stages of it, it must have cost you a great deal more than it does now.

Mr. NICHOLSON. Yes.

Mr. UNDERWOOD. But I am asking you, if you eliminate the additional cost for your advertising and sales abroad, the costs you spoke of, and eliminating the tariff, if that business would then, with those factors eliminated, be done at a loss or at a profit, or would you break even on it? Now, it must be one of those three.

Mr. NICHOLSON. I should say that with all those things eliminated we would make some profit.

Mr. UNDERWOOD. That is what I wanted to get at. Then with the tariff eliminated and the additional advertising and selling costs eliminated, it would put your business on the same basis as the sales in this country—I mean the cost of sales?

Mr. NICHOLSON. Why does that enter into it? Excuse me for being dense, but I do not see how that makes any difference, our expenses in conducting our sales, or the expense of railroad fares or steamboats or hotels.

Mr. UNDERWOOD. If you are able to compete with the German manufacturer of files, who you say is your most aggressive competitor, in his own home, on an equal basis, without a loss, it seems to me it is self-evident that the logical conclusion is that you can compete with him on your own soil, where he has to pay the freight rate to you instead of you paying the freight rate to him, on the same basis, without a loss.

Mr. NICHOLSON. Yes, my dear sir; but this morning——

Mr. UNDERWOOD. That seems to me to be an absolutely certain piece of reasoning.

Digitized by Google

Mr. NICHOLSON. Yes; but this morning I told you that we have been working earnestly to develop this export business for from sixteen to twenty years. We have sold a great number of files in Germany, but during the last few years our sales in Germany have diminished, in spite of the reputation we have on our files, because we can not successfully compete with the prices and pay the duty.

Mr. UNDERWOOD. I understand that.

Mr. NICHOLSON. There is a limit to which you will go in losing money, you know.

Mr. UNDERWOOD. I understand that, Colonel; but what I wanted to get at was to make an estimate as to whether, removing those drawbacks as to the increased cost of selling goods abroad and here, and the tariff duty, then you would be able to meet your German competitor on his own soil at an even break, and I understood you to say that you could. Now, if you can meet him on his own soil, where you have no tariff duty to protect you, with an even break, it seems to me from the standpoint of protection you can meet him on an even break here. Now, understand me, I am not talking about putting your goods on the free list, because I am a tariff-for-revenue man and not a free trader, but I want to see whether the standing of your industry in this country is on a basis——

Mr. NICHOLSON. You have had some pretty able men before you, undoubtedly, and you have had men of a great deal of experience. Of course I am a layman. We happen to have a factory in Canada. It is a pretty good sized factory for Canada, which has five or six million people. We could employ there some 80 or 90 or 100 more hands, I should say 100 more, if we could supply our files to the Canadian people, but there are a number of files that come in from England and pay a duty. Now, I want to take it right back to you as an American citizen, a man who is a protectionist, you say, to an extent.

Mr. UNDERWOOD. I am for a tariff for revenue.

Mr. NICHOLSON. Here is one illustration in Canada, and there are a thousand industries in Canada if there is one. If we could employ 100 more hands by holding that market, the whole thousand industries could employ an increased number of hands, we will say of 50 each, and you can readily understand there would be 50,000 more wage-earners in the factories of Canada. You will also readily understand that that would mean a greater number of people in Canada on the farms and in all sorts of occupations, as merchants, storekeepers, bankers, etc., to feed them and take care of them. If those 50,000 people have average families of 4, multiply it and see how fast it will go up. The Canadian people want that. We are a manufacturer up there, but we are only one of a great number. Manufacturers are not satisfied with their present tariff. They are going to grow, and grow fast, if they can get an increased protection. They are working under a liberal policy, are they not?

Mr. UNDERWOOD. You understand I have no criticism about your methods of developing your foreign trade. I think you are right about it. My questions were purely directed to the standpoint of finding out what you are doing.

Mr. NICHOLSON. I do not want to take too much of your valuable time, but I want to say this, too: You can easily understand why, if you should let the bars down in this country on files and we should

Digitized by Google

get over here 100,000 dozen files—no more and no less—those prices would go broadcast through the United States. To hold our trade we would have to meet those prices. Every jobber, every buyer, is a bear in prices; you know that. Now, if we lower our prices do we not from necessity have to lower our cost of production?

Mr. UNDERWOOD. That depends a good deal, I think, on the amount of profit you are making now. That is a different question. I do not know whether you are, but if you are making an exorbitant profit to-day, if you had to lower your prices there would be no reason why you would have to lower your cost of production. If you are making a profit to-day that is very close to the cost of production, I grant you you are right that you would have to lower your cost of production to make a profit.

Mr. NICHOLSON. I want to say this to you, gentlemen. My father commenced this business in 1865. He spent practically all of his life in developing it, and I have spent practically my life since 1878 in developing it. We have built up a large business for such a small industry. You must understand that every one of these is an edge tool. Every file has got to tell the story either for or against us. A bad file nobody has any use for. If the consumer buys one and gets a bad file he is disgusted. It requires careful work and the highest degree of skilled workmen all the way through to make these files. Now, we have developed those things by degrees, and we are making a fair profit, but here is a single little small-tool industry. You can not liken it to the cotton industry. What did the Fall River cotton mills do last year? There are 35 to 40 mills there, and I understand they declared an average dividend of 6.7 per cent last year. Our concern paid 10 per cent. It earned less than 10 per cent on its investment; more than 10 per cent on its capital. Is that too much?

Mr. UNDERWOOD. No; I do not think so. I do not think that if you made only 10 per cent you made too much profit.

Mr. NICHOLSON. Thank you.

Mr. POU. How does the volume of your exports compare with the volume of trade inside of the United States?

Mr. NICHOLSON. It is about 20 per cent; that is, we exported about 20 per cent of our total output. Does that answer the question?

Mr. POU. Yes; that is what I wanted to know.

Mr. UNDERWOOD. You have got a prohibitive duty on files, all except the smaller grades, now, and if this duty was reduced to a reasonable revenue basis where the Government got some proportion of this seven or eight million dollars' worth of business it levies taxes on, it might not by any means mean that it would cripple your business.

Mr. NICHOLSON. I think it would be a very serious interference.

Mr. UNDERWOOD. Do you think it requires a prohibitive duty for you to maintain your business?

Mr. NICHOLSON. We have through all these years, through an A No. 1 quality of work, through fair treatment, gotten, with some other file manufacturers, control of the country's business, and it behooves us to hold it; and I think it is to our credit and not to our discredit that we have it.

Mr. UNDERWOOD. I agree with you thoroughly, and if by making superior goods and selling them to the American people at a fair price, by your genius and your ability and hard work you have gotten and hold the American market, you deserve great credit. I

Digitized by Google

agree with you, thoroughly. But it is a different proposition when you come to Congress and say that you want a tariff duty levied that is prohibitive and that brings no revenue to the Government, and by law you wish to hold the American market regardless of profit. That is the basis you put this on when you ask for a prohibitive duty. When you hold it by reason of your genius and ability nobody can fail to congratulate you on a position of that kind, but to ask to hold it by law, by force, and force the American people to trade with you without giving any revenue to their Government, it seems to me that is a very different proposition.

Mr. HILL. I do not care to ask about the theoretical state of the case; I want to get at the practical. That German tariff seems to me clearly to give the higher rate of duty on the small files.

Mr. NICHOLSON. Yes.

Mr. HILL. And you claim you can not compete on the small files. Now, this Dingley schedule certainly gives the highest on the larger files. It starts with the small file at the lowest rate of duty and runs up to the largest file at the highest rate of duty, directly the opposite of the German system. Can you explain why that is?

Mr. NICHOLSON. I think that Germany does not fear much competition on the larger files getting into their borders on account of the excessive freight charges and transportation charges throughout the Continent. You know freight charges are very much more excessive there than they are in this country, even; inland, I mean. I do not mean the long water trips.

Mr. HILL. I understand.

Mr. NICHOLSON. But we think that 100 dozen of these small 4-inch files would amount to very little in freight. I do not know of any other reason.

Mr. HILL. If this tariff was to be reconstructed on files, should it be reconstructed on the basis of the highest rate of duty on the small file, or made just as it is now, with the lowest rate of duty on the small file and running up, or should it be a uniform rate all the way through?

Mr. NICHOLSON. No, sir; it would be most damaging to the industry, I believe. I think those classes 1 and 2 should be advanced, and I most respectfully wish that you gentlemen could see it that way.

Mr. HILL. And the others left as they are?

Mr. NICHOLSON. The others left as they are.

Mr. HILL. Have you figured out the ad valorem on the prices that you have just given me?

Mr. NICHOLSON. No, sir.

Mr. HILL. The ad valorem on the smallest rate is 40 per cent, on the second 66⅔ per cent, on the third 91 per cent, and on the fourth 50 per cent.

Mr. NICHOLSON. That is figuring the average?

Mr. HILL. That is not evenly balanced, is it? If you were to make the tariff entirely over again you would not make it that way, would you? You would start with the small file at 40 per cent? The German starts right the other way, and runs the other way down.

Mr. NICHOLSON. I do not think the German is a model we should select, at all.

The CHAIRMAN. The German is by weight, and ours is by dimensions.

Digitized by Google

Mr. HILL. But I have taken a 2½-inch file and applied it in both cases. It certainly is directly the reverse.

The CHAIRMAN. What is the scale of weight?

Mr. HILL. Mr. Nicholson gave them to me. It certainly is a different way of applying the duty. They start with the smallest file at the highest rate of duty and we start with the smallest file at the lowest rate of duty, and I would like somebody to tell me why that is.

Mr. NICHOLSON. I do not see, unless it is accounted for by the freight and the fact that they have a great many file manufacturers there, all that they need, right in their own country. They do not need the competition of Austria and Switzerland.

Mr. BOUTELL. The figures you gave Mr. Pou a moment ago related exclusively to your own business?

Mr. NICHOLSON. Yes.

Mr. BOUTELL. Twenty per cent?

Mr. NICHOLSON. Twenty per cent; that is all I can speak of.

Mr. BOUTELL. Do any of the other file makers of the United States export files?

Mr. NICHOLSON. Yes; Heller Brothers, and quite a number of others.

Mr. BOUTELL. What proportion of the file product of the United States is exported?

Mr. NICHOLSON. Not to exceed $1,400,000, I should say.

Mr. BOUTELL. What per cent of the total would that be?

Mr. NICHOLSON. About the same per cent.

Mr. BOUTELL. About 20 per cent of the total?

Mr. NICHOLSON. Yes, sir.

Mr. POU. Now, give the percentage how much less your export price was than your domestic price.

Mr. NICHOLSON. That is pretty hard to tell, because we never have figured it just that way.

Mr. POU. Can you approximate it?

Mr. NICHOLSON. Oh, you see it is this way: We export the highest priced file that we have in this country, because we want to build up a reputation on that file. We have been doing that for fifteen or twenty years, believing we could not send too good an article abroad to compete in the markets of the world. In doing that we have to meet conditions varying in different parts of the world. As Mr. Boutell says exists on textiles, we find a lower line of prices, due to aggressive German competition in South America, than we find in New Zealand.

Mr. POU. But you have some idea, have you not? I understand, of course, that you can not be accurate, but I would like to have your view as to about the difference in percentage, if you can give it.

Mr. NICHOLSON. I should think 18 to 25 per cent.

Mr. POU. Can you state what proportion of the files manufactured in the United States your concern makes—what percentage?

Mr. NICHOLSON. I should think 65 to 70 per cent.

Mr. POU. That is all I care to ask you.

The CHAIRMAN. Are there any further questions?

Mr. BOUTELL. You do not happen to make these files that are used by dentists, do you?

Digitized by Google

Mr. NICHOLSON. To some extent; separating files and things of that sort, to some extent. You mean little things they put between the teeth?

Mr. BOUTELL. Yes.

Mr. NICHOLSON. Yes; to some extent.

The CHAIRMAN. I can not see why this schedule is constructed as it is, with a duty of 30 cents a dozen on files not over 2½ inches in length, and $1 a dozen on those over 7 inches in length, unless the cost of the material is the principal cost of the file, can you? It is three and one-third times as much on a 7-inch file as it is on a 2½-inch file. Why is it?

Mr. NICHOLSON. A machine running 400 or 600 blows a minute, it takes twice as long to cover 7 inches as it does 2½ inches.

The CHAIRMAN. Then there is more work on the 7-inch file?

Mr. NICHOLSON. In every operation. It uses up more grindstone; it takes more heat, more oil, more fuel, more belting, and more of everything.

The CHAIRMAN. That is the only reason?

Mr. NICHOLSON. That is one reason. That would run all along the sizes.

The CHAIRMAN. If you are right, how about this German schedule, which is the other end to? Did you say it took twice as many beats?

Mr. NICHOLSON. No; you have more than twice as many inches to cover on a 7-inch file as on a 2½-inch file.

The CHAIRMAN. Yes; I know. But the files are not as fine. The teeth do not come as close together, do they?

Mr. NICHOLSON. Yes, on some files. On these Swiss files there are as many teeth to a given space on the 12-inch file as there would be on a 2½-inch file.

The CHAIRMAN. This is a sort of a hit-and-miss schedule?

Mr. NICHOLSON. I do not comprehend it.

The CHAIRMAN. Some files are precisely the same as another with twice as many beats on the file; the tariff is the same.

Mr. NICHOLSON. Are you gentlemen familiar with what the American tariffs have been on files?

The CHAIRMAN. Back far enough to get bewildered at the amount of it.

Mr. NICHOLSON. This present tariff is the lowest that has existed since that short Wilson tariff. Back in 1883 the tariff was 35 cents on the small file and 75 cents on the next grade, and up to $1.50 and $2.50. At that time we had started. We started in 1881 in that small business. My father was very earnest about getting a stronger protection on those small files to foster that industry.

The CHAIRMAN. It is pretty hard to compare the tariffs of 1890 and 1894 with the tariff of 1897, because in the tariffs of 1894 and 1890 the lowest bracket was 4 inches in length and under and the duty was 35 cents, while the lowest bracket in this tariff is 2½ inches and under and the tariff is 30 cents. It is pretty hard for anybody to say, after hearing your evidence, which is the highest of these tariffs, but it looks as though the present tariff was higher than the other. If you are right about the number of beats it takes to cut a file 4 inches long instead of 2½ inches—and of course you must be right about that—I should think it would be lower than that.

Digitized by Google

Do you pay anything on this labor over in Canada by way of insurance, and so forth, for taking care of them, like they pay in Germany?

Mr. NICHOLSON. Insurance of the workmen?

The CHAIRMAN. Yes.

Mr. NICHOLSON. No, sir.

The CHAIRMAN. You pay nothing but the day's wages and the workman takes care of all other contingencies?

Mr. NICHOLSON. Yes.

BRIEF SUBMITTED BY SAMUEL M. NICHOLSON, PROVIDENCE, R. I., ADVOCATING NEW CLASSIFICATION AND READJUSTMENT OF DUTIES ON FILES AND RASPS.

WASHINGTON, D. C., *November 23, 1908.*

The COMMITTEE ON WAYS AND MEANS,
House of Representatives, Washington, D. C.:

To obtain your aid and cooperation in the readjustment of the present duties on files and rasps, facts are presented herewith by the Nicholson File Company, of Providence, R. I., and although not authorized to represent others in the same industry, we believe the request made hereinafter is entirely in accord with the view of all American file and rasp manufacturers.

We request and suggest that the "tariff act of 1897," paragraph 156, under heading of "Manufactures of iron and steel," be amended by granting an advance in classes 1 and 2, which now read as follows:

	Per dozen.
Class 1. On 2½-inch and under	$0.30
Class 2. Over 2½-inch and not over 4½-inch	.50

And further that no special classification be made for manicure files.

REASON FOR REVISION.

The tariff on files, file blanks, rasps, and floats of all cuts and kinds, beginning with the—

	Per dozen.
Tariff act 1883:	
4-inch and under	$0.35
Over 4-inch and under 9-inch	.75
Over 9-inch and under 14-inch	1.50
14-inch and over	2.50
Tariff act 1890:	
4-inch and under	.35
Over 4-inch and under 9-inch	.75
Over 9-inch and under 14-inch	1.30
14-inch and over	2.00
Tariff act 1894:	
4-inch and under	.35
Over 4-inch and under 9-inch	.60
9-inch and over	1.00

Digitized by Google

Tariff act 1897, revised to July 1, 1902 (present law):	Per dozen.
Class 1. On 2½-inch and under	$0.30
Class 2. Over 2½-inch and not over 4½-inch	.50
Class 3. Over 4½-inch and under 7-inch	.75
Class 4. 7-inch and over	1.00

The present tariff affords the least protection for files and rasps of any of the laws that have been in force since 1883, with the exception of the act of 1894.

The home manufacturers have for twenty-five years been striving to sell the files of the Swiss pattern and the small regular-pattern files 4½-inch and under, used extensively by watchmakers, manufacturing jewelers, and by the makers of very fine tools and instruments.

The statistics compiled by the United States Government show each year large importations of small files, as per class 1 and 2, from Switzerland, England, Germany, and France. From such information as we can secure it appears certain that the foreign makers sell in the aggregate in this country more in value of these small files than do the American manufacturers. Each time the tariff has been adjusted we have asked for increased protection on classes 1 and 2, and this we again respectfully request; while classes 3 and 4 find very scant protection under the present tariff, a protection that in the near future may prove insufficient by reason of the advantages in manufacture recently secured abroad, as hereinafter cited.

With the increase granted on classes 1 and 2 it should be possible to employ more workmen, while any reduction in the tariff would necessitate a reduction in wages paid and probably less workmen employed.

Labor, mostly skilled, constitutes the major portion of the cost of manufacture; this item alone, as compared to the cost of material entering into the file or rasp, ranges from 3 to 150 times the cost of the steel, depending on the size and cut of the file. This is clearly shown by the fact that each file or rasp is handled no less than 164 times in the different processes before finished.

Other than labor, the items of expense are fuel (coal and fuel oil), grindstones, belting, oils, and miscellaneous supplies, and the items of repairs, expense and the general expenses of maintenance, selling, etc., the cost of which items in the United States are undoubtedly much in excess of similar costs abroad. The labor employed is largely skilled, although, of necessity, there is a small percentage of helpers and laborers.

The present scale of wages paid by the Nicholson File Company, which corresponds with those paid by other American makers, is as follows:

	Per day.
Laborers and helpers	$1.40–$1.80
Skilled workmen	2.40– 4.25

We have been unable to secure prices paid for similar labor in like factories abroad, but have been given to understand that in every instance they are perceptibly less than paid in the United States.

When it is considered that there are at least six to seven thousand varieties of files made and called for, and that to supply the ordinary demand as many as 3,500 kinds and cuts are regularly carried in stock, it is clear that the industry is one requiring skill and infinite detail.

Digitized by Google

Prior to the year 1861 the American market was almost exclusively supplied by the foreign makers. With the introduction of the protective tariff the American mechanic was placed in a position to compete for the trade of this country, and after twelve to fifteen years of toil and effort the machine-made file had become so serviceable as to be preferred to the foreign hand-made article.

Under the protective laws the industry has grown and now gives employment to approximately 6,500 persons, representing a large capital invested, devoted exclusively to this business. The plants of the machine file makers are located in the States of New York, Pennsylvania, Massachusetts, Ohio, Indiana, Illinois, Connecticut, New Jersey, Wisconsin, and Rhode Island.

The most progressive nations known to be large producers of files and rasps are the English, German, Austrian, French, Swiss, Russian, Belgian, Swedish, and more recently the Japanese. These within a comparatively recent period have equipped their plants with the most modern file-making machinery, giving them an advantage not before theirs and changing the relative conditions. In addition, a protective tariff is in force in most of these countries. This with the very low labor cost prevailing and with the most improved machinery and American methods, finds the present competition extremely keen.

The advantage of improved methods and machinery is most apparent by reason of the fact that prices have been lowered perceptibly during the last twelve months in many foreign countries.

Any reduction in tariff would unquestionably open the American market to the foreign manufacturer and would make it impossible for the home maker to compete, if the present scales of wages paid in this country be maintained, and would inevitably result in the enlargement of the foreign makers' plants, giving employment there to a larger number of workmen, thereby of necessity decreasing the number employed in this country, and with the increased production further reducing the cost of the manufacture abroad, giving this permanent additional advantage to the detriment of American labor and capital.

Respectfully submitted.

NICHOLSON FILE COMPANY,
SAM'L M. NICHOLSON,
President.

FIREARMS.

[Paragraphs 157 and 158.]

STATEMENT OF JOSEPH GALES, OF NEW YORK CITY, ADVOCATING THE REDUCTION OF DUTY ON FIREARMS.

WEDNESDAY, *November 25, 1908.*

Mr. GALES. Mr. Chairman, when I heard the testimony of the witnesses this morning and this afternoon I began to feel that I belonged to the criminal class, because I am an importer. It seemed to me that the importer was almost next to a criminal; but I claim to be an American citizen to the backbone, and feel that the importer should have some consideration.

Digitized by Google

If you want a moderate increase of the revenue, we desire to submit the following brief referring to paragraph 158 of the present tariff:

This paragraph presents the principal items of import in firearms at the present time. The items stated in other paragraphs, except those on the free list, are of small importance.

We find by inquiry that the total imports at the port of New York have been constantly decreasing, so that in the year ending June 30, 1907, they were less than 30 per cent of the imports of the year ending June 30, 1900.

In the whole United States the total decrease is over 60 per cent. This valuation includes all imports of firearms, including gun barrels and gunstocks, which are on the free list, and make up a large part, perhaps the larger part of the total, therefore reducing the value of guns imported under this paragraph to even a smaller proportion than the stated figures would indicate.

The facts then for your committee to determine are:

First. Does the committee desire to obtain any revenue from the importation of guns?

Secondly. Do your committee feel that the importers of, dealers in, and consumers of imported shotguns are entitled to any consideration under the tariff legislation, or if the whole matter is to be left in the control of the American manufacturers, to suggest such rates as would make the tariff practically and actually exclusive, and enable them to make combinations and maintain prices at monopolistic figures?

The present import business in breech-loading double guns is limited almost entirely to two classes—one of cheaper quality guns than those made by any of the American manufacturers, and, secondly, to high-priced, exceedingly fine quality guns, which are imported because of their superior workmanship or of the desire which customers have for guns of such style and finish as the American manufacturers are not able to produce.

The cheaper guns are lower than the manufacturers find it worth while to turn out, as they apparently have sufficient demand upon their plants in turning out medium and high-priced guns, for which they find a ready market.

On the other hand, the better quality guns are not directly competitive with the American, and pay much less profit to the importer than do the American guns (which sell at 20 to 50 per cent lower) pay to the manufacturers of same.

This statement is based upon the best information that we can get, having been for a great many years extensive dealers in both lines.

We are large distributors of all the principal makes of American guns; are on friendly terms with the manufacturers, and simply ask such an adjustment of the duty as would seem reasonable under all the conditions stated.

At present the cheaper breech-loading guns pay a duty of 41 per cent and upwards, and the high-priced breech-loading guns pay a duty of 50 to 60 per cent.

In view of the reduced importation, and the depleted revenue therefrom, we respectfully suggest that a duty equal to 33⅓ per cent, made up either on the ad valorem basis or on the mixed basis as at present, would be fair and equitable, and would increase the revenue,

Digitized by Google

while at the same time granting all the reasonable protection that the American manufacturers could demand, as on this basis the prices of the guns under this paragraph, landed in New York or other ports, duty paid, would be higher than competing guns would cost the American manufacturer in general, unless some particular individual was hampered by other than legitimate factory expenses.

We might further add that during the existence of the present tariff all of the standard American manufacturers have largely increased their output, and give every evidence of doing an extremely profitable business, the protection of the duty being in excess of the requirements of the business.

In addition to the large number of firearms factories in existence in 1897, at least four have been added. Many make all varieties, some only one. A fair tabulation would be as follows: Manufacturers of—

Single guns	10
Automatic guns	5
Revolvers	9
Rifles	7
Breech-loading guns	12

In conclusion, then, we beg to suggest a straight duty of 33⅓ per cent on all the items named in this paragraph as the simplest and most wise. Such a duty we believe would lead to the continuation of imports and possibly increased revenue from certain special styles of guns, but would not permit the importation of large quantities or of general competing lines of firearms.

Mr. HILL. I want to ask you one question. Have you any figures there showing the difference in the cost of the manufacture of a similar article in the United States and in a foreign country from which you import?

Mr. GALES. I have not. There are no goods that are directly competitive. The cheaper guns are handmade and are much cheaper in quality than any that are made in this country. The American manufacturers make all the intermediate grades, and the very high-priced guns come in a class by themselves.

Mr. HILL. An American manufacturer coming here and asking for an increase of duty is required by the committee to show that the difference is not in excess of the difference in cost of manufacture. Now, when you come and ask for a reduction of the duty on imported goods, is it not equally incumbent on you to prove that you are not asking for a reduction that is below the difference in cost of manufacture?

Mr. GALES. I think the best argument possible is that table which I got from the New York custom-house, which shows that the imports in 1896 were $617,235; in 1900, $838,528; in 1905, $557,032; in 1906, $505,546, and in 1907, $306,085—a decrease, you see, from $838,528 to $306,085 between 1900 and 1907. Is not that a striking argument?

Mr. HILL. Your purpose is to increase the sale of the articles and not to put the American and the foreign manufacturers on an equality of cost. You seem to ignore that fact entirely.

Mr. GALES. No; this statement of imports speaks for itself. Of course, I am in favor of that feature of it, putting them on an equality. The American manufacturers have all prospered very

Digitized by Google

largely in their business, and this shows that they were competing successfully, and that the imports were decreasing.

Mr. CLARK. Are these foreign guns as good as the American guns?

Mr. GALES. The cheap guns are not so good.

Mr. CLARK. But I mean the higher grade guns and revolvers.

Mr. GALES. The higher grade guns are finer than the guns that are made in this country. They are made by workmen who have been at it for several generations, and who make nothing but very fine guns.

Mr. CLARK. Do you think it would simplify it to make a flat rate, at 33⅓ per cent?

Mr. GALES. I think so.

Mr. CLARK. You think it would not do the American manufacturer any harm or anybody else?

Mr. GALES. The rate, as I remember it, was 30 per cent under the Wilson bill and 35 per cent under the McKinley bill.

Mr. CLARK. Would it put down the price of guns?

Mr. GALES. The additional duty?

Mr. CLARK. It is not an additional duty. It is a lower duty, is it not?

Mr. GALES. On American guns, you mean?

Mr. CLARK. It is put upon the foreign guns and the American guns, too, is it not?

Mr. GALES. It is put on the foreign guns, and, if I may say negatively, on the American guns; that is, the American guns except for the increased duty would have come down in price.

Mr. CLARK. If you could work up some kind of a scheme to put up the price of revolvers, and put down the price of shotguns and rifles, that would be a public benefaction.

Mr. GALES. You can not put up the price of revolvers.

Mr. CLARK. Why?

Mr. GALES. Because there are practically none imported. Rifles and revolvers are not imported, except old arms, or something of that kind.

Mr. CLARK. Do you express the general opinion of the importers?

Mr. GALES. Yes, sir. We have no trust, but I have been in consultation with a number of them, and they have asked me to represent them here. That is their idea.

Mr. CLARK. Do you think this would increase the revenue?

Mr. GALES. I think it would, moderately; yes, sir. You will see, by this table, that the importations have been running downhill very rapidly. It may be that we do not want any duty for revenue. I do not know. How are we going to get over it?

Mr. CLARK. You want more duty than you have got, for revenue.

Mr. GALES. If you take the opinion of the gentlemen we have listened to to-day, we will not get it.

Mr. CLARK. If we take the advice of those who have been testifying, we would not get any at all.

Mr. GALES. There is one point that I wanted to make, and that is that the importers, the consumers, and the distributers have not been heard at these hearings. Ninety-nine per cent of those who have been heard have been manufacturers.

Mr. CLARK. I will tell you the reason for that. I wanted to have the consumers heard myself, but the trouble about the whole thing is that the individual consumer is not mulcted out of enough by this

Digitized by Google

process of high tariff to induce him to pay his expenses and come here to testify.

Mr. GALES. That is the very suggestion, sir, that I make here, that the manufacturers can very well afford the time and expense to come here, because they could very easily make up any amount they choose on the cost of their manufacture by reason of the increased duty.

Mr. CLARK. That is the explanation of that thing, entirely.

Mr. GALES. The consumers and the distributers are generally interested, but it is not concrete. It is spread abroad. We are on good terms with the manufacturers. We do not ask for anything that is unreasonable.

Mr. HILL. You come here for the same reason the manufacturer comes—in order that you may make more money?

Mr. GALES. Well, it is human nature, I suppose. I have decided that the manufacturers exhibit a good deal of human nature. A reasonable tariff is what we think we stand for.

Mr. CLARK. If you get a revenue tariff, you will be getting in the neighborhood of what you desire.

Mr. GALES. I am a Republican——

Mr. CLARK. You ought to be a Democrat, if you want what you say you do. If you have stated what you want, and you want what you say here you want, you ought to be a Democrat. You will never get it from the Republicans.

Mr. GALES. I did not read my full notes. My full notes state that if you do not make the change now four years later it will be too late.

The CHAIRMAN. I want to say this to you: If you are interested as an importer, and if you have the time and will give us the facts showing where this duty ought to be reduced, we will reduce it. The majority of this committee will do it.

Mr. GALES. I am much obliged to you.

The CHAIRMAN. And the reporter who took down the remark of Mr. Clark will not publish what I say.

Mr. CLARK. Yes; he ought to.

The CHAIRMAN. No; he will not publish it.

Mr. CLARK. He ought to publish what I say, and he ought to publish what you say.

The CHAIRMAN. Well, he will not.

Mr. GALES (exhibiting a paper to the chairman). Does not that show the reasonableness of our position?

Mr. HILL. Mr. Chairman, I called attention a few moments ago to the fact that it seemed to me the obligation resting upon this gentleman was the same obligation which the committee has imposed on gentlemen on the other side—that he should show the difference in the cost of the foreign and domestic manufacture justifying the reduction, just as they will be compelled to show the difference in the cost justifying an increase.

Mr. GALES. I will simply explain, in answer to that, that it is a much more difficult proposition to explain guns, no two of which are alike, than it is to explain a bar of iron or a bar of steel, in which each item is identical.

Mr. HILL. It is not any more difficult to explain guns than it is to show the difference between growing lemons in California and growing them in Italy.

Mr. GALES. They are not the same lemons.

Digitized by Google

Mr. CLARK. Mr. Hill has stated one theory that we want the facts on. Now, I want the facts on an entirely different theory, to find how the consumer is going to be benefited. If you can get both sets of those figures, I think the obligation is on you just as much as it is on the manufacturer.

Mr. HILL. Certainly.

Mr. CLARK. What the members of this committee really want, I take it, whether Democrats or Republicans, is to get at the facts.

Mr. HILL. That is right.

Mr. CLARK. It does not make any difference how differently we use the facts after we get them. Mr. Hill and his confreres, the Republicans, will use them to establish one theory. I, and the gentlemen operating with me, will perhaps use the same set of facts to prove another theory; but we have a right to the facts on both sides of the subject.

The CHAIRMAN. The gentleman has a right to speak for his side, and to establish his theory. This side will use the facts to make an honest revision of the tariff.

Mr. CLARK. We will make an honest one, too, if we can.

The CHAIRMAN. I never knew of your doing it yet. (To Mr. Gales.) You have simply submitted a statement of the imports. We have those figures in the public records. You do not give us any enlightenment at all, by bringing those. What we want to know is the price at which those guns are landed from abroad at New York, and what it costs to make them here.

Mr. HILL. Those guns, or similar guns.

The CHAIRMAN. Yes; those guns. Not the identical ones, of course. He understands that. That is what we want. It throws a great deal more light upon the matter than does the amount of the importations.

Mr. GALES. The guns are not similar.

Mr. BONYNGE. They do not come in competition then, do they?

Mr. GALES. They do. There are no two qualities that are identical.

Mr. BONYNGE. You can show the cost of the different guns that come in competition, can you not?

Mr. GALES. In direct competition?

Mr. BONYNGE. Or that come indirectly in competition?

Mr. GALES. They do not come in direct competition. The two are side by side, but they are different. They are not the same guns.

Mr. CLARK. But if they are the same in general make-up, they are classed as the same sort of guns, are they not?

Mr. GALES. They may be classed as double or single guns.

Mr. CLARK. If you have a pot-metal pistol that comes from Europe, and one that comes from the United States, lump them together; and if you find a magazine gun that is made in Europe, and one that is made in the United States, class them together.

Mr. GALES. The magazine guns are all made in this country, and the rifles are all made in this country.

The CHAIRMAN. If a manufacturer should come in and show a very large importation of a particular class of goods for the last two or three years, you would not expect us to jump at it and put a tariff duty on. He might get one that would stop the importation altogether. Now, look at it from both sides, and make out your case from that standpoint. Do you bring in government reports of importations.

Digitized by Google

Mr. GALES. Mr. Chairman, I have been in business for years, and I have seen the gradual decrease of the imported article and the increase of the American article.

Mr. HILL. That might be because of the superiority of American workmanship, or the method of manufacture, and all that.

Mr. GALES. I say, that is true. Now, if we want to exclude the foreign goods completely——

The CHAIRMAN. We are neither manufacturers nor importers. At least, I am not. I am simply trying to decide this question, as between the two sides. I want to arrive at an honest decision.

Mr. GALES. You do not take the position that it is a crime to import, do you?

The CHAIRMAN. Not at all.

Mr. GALES. Or that importers have not certain rights?

The CHAIRMAN. I have never taken that position, and I do not know that anybody ever has.

Mr. GALES. Well, I will not say that anybody on this bench has, but that seemed to be the position of some of the witnesses that you had to-day.

The CHAIRMAN. Do you think so?

Mr. GALES. I think so; yes—two or three of them.

The CHAIRMAN. I did not hear anything of that kind. You may have.

Mr. GALES. One man said that he believed—two men said that they believed in a duty which would positively prohibit imports.

The CHAIRMAN. Well, I do not, so I do not agree with them.

Mr. GALES. Well, I would be——

The CHAIRMAN. I do not believe in a duty that destroys our manufactures, either.

Mr. GALES. Nor do I. I do not want to pull them down at all.

The CHAIRMAN. Then, on those two points you and I agree.

Mr. GALES. I do not want to pull them down. I want to keep the thing on a middle level with them. We do not want to make combinations against them, as they have against us.

The CHAIRMAN. You want us to act in your favor, without knowledge, and we do not want to do it.

Mr. GALES. They jacked up the duty under this last schedule very largely.

The CHAIRMAN. Well, you had the same opportunity to appear.

Mr. GALES. Do you mean in 1897?

The CHAIRMAN. In 1897; yes.

Mr. GALES. Well, we did appear in 1897, but the trouble was that the committee was against us then.

The CHAIRMAN. I presume if you appeared in 1897 you did then what you do now, and simply brought in government statistics showing what the amount of importations had been. You do not show the difference in the cost. That does not help us at all.

Mr. CLARK. Now, you have been advised by both sides and it is for you to get the figures.

Mr. GALES. I will be glad to send them in at any time within four or five days.

Mr. CLARK. Any time before the 4th day of December.

Mr. GALES. All right. I will send them in. I thank you gentlemen.

Digitized by Google

EXHIBIT A.

The following figures include muskets, muzzle-loading shotguns, and parts thereof; pistols, revolvers, and parts thereof; shotguns, double-barrel, sporting, breech-loading, combination shotguns and rifles, and parts thereof; gunstocks and all other parts of guns or rifles:

Year ending—	New York.	Total (including all other ports).
June 30, 1907	$196,596	$306,085
June 30, 1906	290,526	505,546
June 30, 1905	316,193	557,032
June 30, 1900	691,375	838,528
June 30, 1896	439,599	617,235

BRIEF SUBMITTED BY MANUFACTURERS OF DOUBLE-BARREL BREECH-LOADING SPORTING SHOTGUNS ASKING MAINTENANCE OF PRESENT DUTIES ON FIREARMS.

WASHINGTON, D. C., *November 28, 1908.*

To the Hon. SERENO E. PAYNE,
Chairman, and Members of the Committee on Ways and Means, House of Representatives, Washington, D. C.

GENTLEMEN: In reference to the hearings now being held before your honorable committee upon the subject of tariff revision, we, manufacturers of double-barrel breech-loading sporting shotguns, representing a large majority of those actively engaged in such industry in the United States, do urgently petition that the present Dingley tariff, act of July 24, 1897, in so far as it affects such arms and parts thereof, be maintained without change for the following reasons:

(1) Notwithstanding the protection afforded this industry by the Dingley schedule there have been imported into this country during the ten years since it went into effect until June, 1907, 1,144,361 double-barrel breech-loading shotguns, which come directly into competition with those manufactured in the United States.

(2) By reason of the protection afforded under the present schedule we were encouraged to increase our capital investment, enlarge our facilities, increase the volume of our output, and thereby reduce the selling prices to the consumer.

(3) Our cost of labor has been increased 20 to 25 per cent on account of the general prosperity and increased demand for labor in the metal-working industries generally under the present tariff.

(4) We desire also that the present tariff on component parts of such guns, as well as on the finished guns, be maintained, lest, as in former years, under a previous schedule, such guns be imported in parts and assembled after passing the customs free, thus evading the duty, which defect and abuse of the principle of the law has been corrected by the present tariff act.

Digitized by Google

(5) A manufactured gun is more than 80 per cent labor. In this industry our labor costs three times that of the same class in foreign countries.

(6) We further request that shotgun barrels in single tubes forged rough bored and gun blocks for gunstocks rough hewn, or sawed, or planed on one side, be continued on the free list as at present, because their manufacture or production can not be economically undertaken in this country.

(7) While the protection afforded under the present schedule has enabled us to partly hold our home market, we have not been able to meet foreign competition in any neutral territory.

(8) A double-barrel breech-loading shotgun is a luxury, and every argument to be urged in favor of a protective tariff applies with the greatest force to an industry of this character.

(9) The manufacturers of double-barrel breech-loading shotguns are not in any trust, combination, or agreement, either expressed, implied, secretly understood, or otherwise, for any purpose, and never have been. The purchaser, therefore, receives the benefit of the lowest price at which our product can be manufactured and sold in open competition.

In reference to the testimony of Mr. Joseph Gales, importer, introduced at this hearing, we beg to state:

That the said importer is of the firm or company of Schoverling, Daly & Gales, of the city of New York, engaged in the business of importing and interested in the production of certain foreign-made, double-barreled, breech-loading shotguns, known as the Sauer, Daly and Stake guns, and others.

The reduction of imports according to the figures submitted by him are misleading as to arms of this class, included as they are in the totals of all classes of arms and parts thereof in said figures.

Statistics from the government reports show the total importations of double-barrel shotguns during the first year of the operation of the present tariff act to have been 49,733, and in 1907 (ten years later) 44,185—a comparative decrease of only 11 per cent.

The fact that American double-barrel shotguns are sold at prices ranging from $8 to $500 further refutes the statement of said importer that they do not compete with all grades of foreign-made guns.

The importer states that four new factories have been started for the purpose of manufacturing firearms in this country. If this be true, it is also true that foreign and domestic competition have resulted in the lowering of prices of double-barrel shotguns to such extent that a larger number of such factories have discontinued.

Without increased cost to the consumer the American manufacturers of double-barrel guns are now furnishing guns better in quality than ever before. To meet the demand for medium and low-priced guns, new grades have been established at prices 35 to 50 per cent lower than the average prices prevailing when the present schedule went into effect.

While we have not asked for an increase, we assert that the maintenance of the present tariff rates on double-barreled sporting breech-loading shotguns is absolutely necessary to the existence of this industry.

Digitized by Google

Respectfully requesting your favorable consideration, we subscribe ourselves, this 28th day of November, 1908.

HUNTER ARMS CO., FULTON, N. Y.,
By THOMAS HUNTER, *President.*
ITHACA GUN CO., ITHACA, N. Y.,
By GEO. LIVERMORE, *President.*
PARKER BROS., C. A. KING, MERIDEN, CONN.
LEFEVER ARMS CO., SYRACUSE, N. Y.,
By J. F. DURSTON, *President.*
J. STEVENS ARMS & TOOL CO., CHICOPEE FALLS, MASS.,
By E. C. FINK, *Representative.*
N. R. DAVIS & SON, ASSONET, MASS.,
By E. C. FINK, *Representative.*
BAKER GUN & FORGING CO., BATAVIA, N. Y.,
By T. W. MAXWELL, *President.*

THE J. STEVENS ARMS AND TOOL CO., CHICOPEE FALLS, MASS., THINKS THAT A NEW CLASSIFICATION AND INCREASE OF DUTIES FOR FIREARMS IS NECESSARY.

THE NEW WILLARD,
Washington, D. C., November 25, 1908.

Hon. SERENO E. PAYNE,
Chairman, House of Representatives,
Washington, D. C.

GENTLEMEN: In reference to the hearing before your committee on this date in regard to the tariff on metals and the manufactures thereof, the undersigned, representing the J. Stevens Arms and Tool Company, of Chicopee Falls, Mass., manufacturers of rifles, single-shot pistols, single-barrel guns, and double-barrel guns, respectfully petition you as follows:

The conditions regarding the manufacture of the above items are identical with those presented to you under the same date by the double-barrel gun manufacturers, of which we are one of the signers.

We do not believe that the present tariff, mentioned in paragraph 157, of 25 per cent ad valorem, is sufficient protection against cheap foreign rifles, pistols, and single-barrel guns.

We therefore believe that the duty on these items should come under paragraph 158, which provides a duty of $1.50 specific, and in addition thereto 15 per cent ad valorem, on those arms valued at not more than $5, and a duty of $4 specific, and in addition thereto 15 per cent ad valorem, on those arms valued at from $5 to $10.

Trusting that your committee can see your way clear to follow these recommendations in connection with the coming legislation, we beg to remain,

Very truly, yours,

J. STEVENS ARMS AND TOOL COMPANY,
By E. C. FINK, *Representative.*

Digitized by Google

THE WINCHESTER REPEATING ARMS CO., NEW HAVEN, CONN., PROTESTS AGAINST ANY REDUCTION OF THE PRESENT DUTIES ON FIREARMS.

NEW HAVEN, CONN., *December 3, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR SIR: We understand that your committee has been approached by importers of foreign arms to the end that they may induce your honorable body to reduce the present existing tariff on this class; and we write to protest against any material change in the present arrangement, which to the best of our belief does to-day leave the foreign manufacturer of these goods with material advantage.

In the manufacture of guns two classes of machines are chiefly used the world over, viz, a standard form of Lincoln milling machine, and a so-called edging or profiling machine. In the ordinary manufacture these machines are run by operatives who are not mechanics and who have no actual trade. On the Continent milling-machine operatives, who form the larger proportion of those manufacturing guns, receive from $3.50 to $4.50 per week. In this country it is practically impossible to employ people for the same work at less than from $2.25 to $2.50 per day, or $13.50 to $15 per week; and the same is practically true of the wages of all other employees engaged in this line of manufacture. It is, therefore, safe to say that the continental labor cost is not over one-third of the domestic labor cost. For an example of the working of the present schedules, let us take $100 worth—factory cost—of guns. This is divisible into two main factors, as follows:

Factory cost	$100
Labor	80
Material	20

The foreign manufacturer may have a slight advantage in the purchase of some of the material; in the purchase of steel, for instance, he pretty certainly has, as many of the American manufacturers purchase a considerable proportion of this material abroad. The same can be said of the wood—walnut of various kinds—for stocks and forearms. For the purpose of the present argument, however, this advantage, which only covers 20 per cent of the entire cost of the gun, may be disregarded.

It is in the matter of labor cost that the continental manufacturer has the greatest advantage.

The $80 labor cost to the American manufacturer in the $100 value in guns amounts on the continental basis to	$26.67
To which add cost of material on the American basis	20.00
And we have the continental factory cost of	46.67
Add to this a profit of, say 12½ per cent	5.83
	52.50
And also add the extreme duty (for guns of more than $10 value), $6 each; and the 35 per cent ad valorem (say, 5 guns at $10.40 each)	48.38
	100.88

Digitized by Google

To the American manufacturer's factory cost of	$100.00
Add a profit as allowed above to the foreign manufacturer of 12½ per cent	12.50
Makes	112.50
Which compared with the foreign manufacturer's New York duty-paid price of	100.88
Gives the foreign manufacturer an advantage under the present schedule of	11.62

Or practically 11½ per cent.

The foregoing coupled with the fact that large numbers of foreign guns are annually imported at such prices that the American manufacturers can but barely compete with them will, we believe, convince your committee that the present basis is fairly and equitably adjusted to all concerned and does not unduly protect the American manufacturer or leave him in position to monopolize the domestic market.

Yours, very respectfully,

WINCHESTER REPEATING ARMS CO.,
WINCHESTER BENNETT,
Second Vice-President.

THE HOPKINS & ALLEN ARMS CO., NORWICH, CONN., WISHES PRESENT DUTY ON FIREARMS RETAINED.

NORWICH, CONN., *December 2, 1908.*

JOHN DALZELL, M. C.,
Committee on Ways and Means,
Washington, D. C.

DEAR SIR: Regarding tariff on firearms, we wish to enter our protest against any change being made in the present duty.

As labor is the larger part of the cost in manufacturing, this class of goods we can not compete with the foreign labor market.

This class of goods is being sold by the American manufacturers at very reasonable prices, and we are supplying the market with a very much better grade of goods than was formerly imported.

We believe there is every reason why this industry should be protected, and no good reason why the present duty should be changed in any respect.

Thanking you in advance for your kind consideration, we are,

Yours, very truly,

THE HOPKINS & ALLEN ARMS COMPANY.
CHAS. B. LEE, *General Manager.*

THE ITHACA GUN CO., ITHACA, N. Y., URGES MAINTENANCE OF THE PRESENT DUTIES ON FIREARMS.

ITHACA, N. Y., *December 2, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
House of Representatives, Washington, D. C.

DEAR SIR: Referring to that portion of the metal schedule which concerns double-barreled breech-loading shotguns and parts thereof, we desire to call particular attention to the difference in labor cost

Digitized by Google

between this and foreign countries, so far as this industry is concerned. This was slightly touched upon in a brief filed by certain manufacturers, in which we concurred.

We therein stated that a manufactured double-barreled breech-loading shotgun is 80 per cent labor, and that the labor of our foreign competitors costs them about one-third as much as American labor. We desire that you should take a specific instance. For example, a gun which costs us $20 to manufacture—

80 per cent is labor	$16.00
20 per cent is material	4.00
Total	20.00

The cost to manufacture this abroad, figuring the cost of material the same as here, would be as follows:

Labor	$5.33
Material	4.00
Total	9.33

If imported under the present rate, the duty would be added, as follows:

Ad valorem 15 per cent	$1.39
Specific	4.00
Total	5.39
Total cost imported	14.72

Thus the gun comes to the importer here, after paying duty, at a cost to him $5.28 below the figure at which it can be made in this country.

See how this actually works out: Schoverling, Daly & Gales, of New York City, import among other guns one which is known as the "Sauer" No. 1, which they sell for $60. This gun costs them $24. Upon this they pay duty as follows:

Ad valorem, 35 per cent, $8.40; specific, $6; making total cost after paying duty $38.40.

Figuring that the material costs no more here than abroad, this gun can not be manufactured in this country, considering the difference in labor alone, for less than $51.43.

Schoverling, Daly & Gales buy this gun abroad and import it for $13.03 less than the bare cost of manufacture here. That is the reason why they import them instead of having them made here.

As to difference in cost of labor between America and England, see the affidavit of Alfred Betts hereto attached. We would say regarding same that the labor of continental Europe is considered lower than that of England.

These facts lead us to believe that the existence of this industry here depends upon the maintenance of the present rates of tariff at least, and we think will convince you that the difference in labor is not covered even now.

Thanking you for your kind consideration, we remain,

Very respectfully, yours,

ITHACA GUN COMPANY,
By GEO. LIVERMORE, *President.*

Digitized by Google

EXHIBIT A.

STATE OF NEW YORK,
Tompkins County, ss:

Alfred Betts, being duly sworn, deposes and says: I came to the United States from England four years ago last September. Before that I worked at the gun business for about twenty years in Birmingham. I worked for Webley & Scott, Greener, and the Midland Gun Company. I had worked by the day and piecework, and I had employed others as a contractor. I therefore know what wages were paid to gun workers. The average wages of a skilled man like myself was about $7.50 per week. When I came to this country I could earn about $18 to $21 per week.

I am now working for the Ithaca Gun Company, and am making net from $20 to $24 per week.

My father and uncle were gun makers before me. My brother is a gun maker in England, and is able to make from $7 to $7.50 per week when he can get a full week's work.

ALFRED BETTS.

Subscribed and sworn to before me this 2d day of December, 1908.

PAUL S. LIVERMORE,
Notary Public.

THE SAVAGE ARMS CO., UTICA, N. Y., WRITES RELATIVE TO FIREARMS, INCLUDING AUTOMATIC PISTOLS.

UTICA, N. Y., *December 3, 1908.*

Hon. SERENO E. PAYNE,
Chairman, and Members of the
Committee on Ways and Means,
House of Representatives, Washington, D. C.

GENTLEMEN: Having failed to receive notification in sufficient time to enable us to be personally represented before your committee at the recent hearing on firearms schedule, we beg to submit the following, and respectfully petition that the duties in the firearms schedule be not reduced in any manner.

In this connection we hereby heartily indorse the statement made in briefs to your honorable committee by the following individuals and firms: Hunter Arms Company, Fulton, N. Y.; Ithaca Gun Company, Ithaca, N. Y.; Parker Brothers, Meriden, Conn.; Lefever Arms Company, Syracuse, N. Y.; J. Stevens Arms and Tools Company, Chicopee Falls, Mass.; N. R. Davis, Assonet, Mass.; Baker Gun and Forging Company, Batavia, N. Y.; Iver Johnson Arms and Cycle Works, Fitchburg, Mass.; and the Baker Gun and Forging Company, Batavia, N. Y.

We further desire particularly to call your attention to recoil-operated automatic pistols, an article not manufactured in this country in 1897, and consequently not scheduled in the act of that year. Under the decree of the United States Board of General Appraisers, dated June 21, 1908, abstract 15900, T. D. 28278, automatic pistols were classified as side arms under paragraph 154, and subject to a duty of 35 per cent ad valorem.

Believing that automatic pistols resemble more closely revolvers than side arms, and that they should pay duty as revolvers, we request that paragraph 158 be amended to provide that revolving pistols, magazine and automatic pistols, and parts thereof be subject to a duty of 75 cents each and 25 per cent ad valorem.

Digitized by Google

In the manufacture of firearms fully 80 per cent of the cost of construction is labor, the amount of material consumed in each individual arm representing but a minimum of its finished cost. Cheap labor in European countries enables foreign manufacturers to produce goods at much lower prices than American manufacturers.

All of the work of the American manufacturer is done in the factory, while the European manufacturer farms out his work to families, and his factory is largely an assembling plant. The work on the American firearm is done by skilled mechanics, who receive from $1.50 to $3.50 per day, while the foreign manufacturer, we are credibly informed, pays from 40 cents to 80 cents per day for the same class of work. Consequently, if the American manufacturer is to be permitted to remain in business and American labor given employment in this art, the schedule should at least remain as adopted by the law of 1897.

Doubtless your committee will receive many requests for a reduction in the schedule of firearms. Analyze these requests, and you will find that they come from dealers and importers who are desirous of marketing foreign-made goods in competition with the American-made product; and we respectfully protest against a reduction of the tariff for any such purpose.

A firearm is a luxury, and should bear a larger share of the burden of revenue than a necessity.

Permit us to advance one further argument covering the general situation, viz, that manufacturers of firearms should be given every possible help and encouragement by the Federal Government, for the reason that in time of serious warfare they might be of inestimable service to the country at large. Consequently it would seem to be the duty of Congress to preserve and protect the interest of home manufacture to the utmost extent.

Respectfully submitted.

SAVAGE ARMS CO.,
BENJ. ADRIANCE, *President.*

SUPPLEMENTAL STATEMENT FILED BY JOSEPH GALES, OF SCHOVERLING, DALY & GALES, NEW YORK CITY, RELATIVE TO COST OF MAKING FIREARMS.

NEW YORK, *December 1, 1908.*

HON. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
House of Representatives, Washington, D. C.

DEAR SIR: As promised at my recent interview before your committee on November 25, I hand you herewith some additional statistics in the matter of comparative costs on guns of foreign and domestic manufacture.

The labor does not average more than 50 per cent of the cost, and the difference between the foreign and domestic labor is certainly fully covered by a duty of 33⅓ per cent.

The wages in Germany have more than doubled during the last five years over a similar period prior to 1889.

The foreign guns specified in table are those most largely imported.

Digitized by Google

Breech-loading hammerless guns.

Foreign maker.	Original cost.	Equivalent.	Present duty.	Expense.	United States cost.
	Marks.				
Cheapest Sauer	96	$22.84	$14.00	$0.75	$37.59
Second-grade Sauer	125	29.75	16.40	.75	46.90
Third-grade Sauer	170	40.40	20.14	.75	61.29
Cheapest Sauer, automatic ejector	150	35.70	17.50	.75	53.45
Charles Daly, cheapest	195	46.40	21.44	1.00	68.84
Cheapest Francotte	[a] 170	32.80	17.48	.75	51.03

Domestic maker.	Price to jobbers.	Estimated manufacturers' profit, 23 per cent.	Cost.
Cheapest A. H. Fox, second grade	$24.00	$5.52	$18.48
Cheapest Parker Bros	27.43	6.30	21.13
Second-grade Parker Bros	46.17	10.56	35.61
Cheapest automatic ejector, Parker Bros	46.17	10.56	35.61
Cheapest Lefever	20.00	4.60	15.40
Second-grade Lefever	24.05	5.52	18.53
Third-grade Lefever	31.15	7.15	24.00
Cheapest automatic ejector, Lefever	27.00	6.21	20.79
Cheapest Remington	17.75	4.02	13.73
Second-grade Remington	24.75	5.25	19.50
Third-grade Remington	33.00	7.59	25.41
Cheapest L. C. Smith	19.00	4.37	14.63
Second-grade L. C. Smith	27.50	6.32	21.18
Third-grade L. C. Smith	46.15	10.58	35.57
Cheapest Smith automatic ejector	27.50	6.32	21.18

[a] Francs.

Breech-loading hammer guns.

Foreign maker.	Original cost.	Equivalent.	Duty.	Charges.	United States cost.
Neumann grade:	*Francs.*				
752	18.75	$3.62	$2.04	$0.20	[a] $5.86
1794	20.25	4.00	2.10	.20	[a] 6.30
N 20	25.55	4.94	2.24	.20	7.38
1020	50.95	9.85	5.48	.20	15.53
N 20 twist	29.55	5.69	4.85	.20	10.74

Domestic maker.	Price to jobbers.	Deduct 20 per cent estimated manufacturers' profit.	Cost.
Hopkins & Allen:			
Blued	$8.50	$1.70	$6.80
Twist	9.50	1.90	7.60
Stevens Arms Co	8.00	1.60	6.40
L. C. Smith:			
Blued	12.00	2.40	9.60
Twist	13.00	2.60	10.40
American Gun Co	7.00	1.40	5.60

[a] These are inferior, and no similar American guns are made.

Breech-loading single guns:

Original cost	15 francs
Equivalent	$2.95
Duty	2.03
Expense	.15
United States cost	5.13

Digitized by Google

Domestic breech-loading single guns, all makes:

Price to jobbers	$3.75
Estimated profit	1.00
Cost	2.75

Yours, very truly,

SCHOVERLING, DALY & GALES.
JOSEPH GALES.

F. M. FARWELL, BAKER GUN AND FORGING CO., BATAVIA, N. Y., WRITES RELATIVE TO DOUBLE-BARREL SHOTGUNS.

BATAVIA, N. Y., *November 14, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
Washington, D. C.

DEAR SIR: In reference to hearings now being had upon the subject of the tariff before your honorable committee, we are advised that the metal schedule, which includes our manufacture of double-barreled guns, will be taken up on the 25th of this month. This is a very important matter with us, as upon the protection afforded us by the present schedule our prosperity, if not our very existence, depends.

While we may not be able to have a personal representative at the hearing, we beg to submit to you herewith a copy of a letter upon this subject, written to the Hon. Peter A. Porter, Representative of this district in Congress, under date of December 28, 1906, covering to some extent the conditions involved by the tariff in our business. While these figures are not brought down to date, we do not believe there is any material change in the principle involved except that we might add that we believe our competitors in Europe are steadily developing improved facilities in the way of modern machinery to better utilize their cheaper labor. We therefore believe that any reduction in the present schedule would work great hardship to us as one of the smaller manufacturers, and no doubt to others in the same line as well.

We respectfully ask your attention to the article submitted, and beg to place ourselves on record as opposed to any change in the present schedule.

Thanking you for any courtesy and attention, we are,

Yours, very respectfully,

BAKER GUN AND FORGING COMPANY,
F. M. FARWELL, *President.*

HON. PETER A. PORTER, M. C., SUBMITS LETTER OF F. M. FARWELL, BAKER GUN AND FORGING CO., BATAVIA, N. Y., RELATIVE TO DOUBLE-BARREL SHOTGUNS.

DECEMBER 28, 1906.

Hon. PETER A. PORTER, M. C.,
Niagara Falls, N. Y.

MY DEAR SIR: In compliance with your esteemed request, I now take pleasure in writing you something of my views regarding the present tariff schedule in its relation to our business.

Digitized by Google

We manufacture a line of double-barrel shotguns in numerous grades, ranging in retail price from $20 to $250. It is a similar line to that extensively manufactured in Europe for some generations past in its various stages of progressive development. As with many other things, we and other American makers have been followers rather than leaders in this line and only until recently could we justly claim equality or superiority in its production. Unlike many other articles, the gun had its origin and early development as well as its later perfection in the civilized countries of the Old World. Its initial stages of manufacture in this country were therefore in direct competition with the established facilities and lowly paid skilled labor of those countries.

Concurrently with the rapid development of military arms in Europe incident to almost perpetual warfare there for generations, the sporting arm or double-barrel fowling piece which we manufacture was also developed and found its broadest field of use in this and other countries of limited settlement, abounding in quantities of wild game.

It was but natural, therefore, that its manufacture should early have been undertaken in this country, which on established principles and models probably could not have been successfully done without some protection.

Contradictory to the theoretical decline of the uses of the arm on account of the diminishing quantities of game and the enactment of wise laws limiting the shooting season in most States to a few fall months, a large industry has been built up which is now in nearly every individual case prosperous and fairly profitable.

We are protected under the present schedule by a compound duty, so far as it affects our product, of $6 specific and 35 per cent ad valorem (on guns valued at more than $10). Our cost of manufacture comprises approximately 60 per cent labor, 25 per cent material, and 15 per cent general expenses. For labor we pay about twice or three times that paid the same class in Europe. A considerable part of our cost of material, however, goes to the European manufacturers and their labor for gun barrels and stocks, from whence we obtain all that we use. While a few steel barrels are made in this country, the manufacture of figured Damascus and twist barrels has never been undertaken here to any extent nor with any degree of success. The making of this class of barrels is done mostly by hand and in its nature does not admit of much machine work. Not only are we lacking in the necessary skill and material to properly make them, but the difference in the price of labor considering the work involved prohibits their manufacture here.

Almost from the time of the invention of firearms has this industry been carried on in European countries with crude facilities but consummate skill, and it is an instinctive art with them handed down from generation to generation by those engaged in it. These barrels, rough bored, come in duty free as raw material, from which stage we build them up, together with all other parts of the gun, with skilled labor into the finished product.

The price of our product has been steadily lowered, while the cost of certain labor and materials entering into its construction during the more recent time has been increased. This has been the result not only of domestic competition, but made possible by larger sales,

Digitized by Google

steadier output, and the resultant economies of manufacture and general prosperous conditions under a stable tariff policy. It doubtless could not have been done in competition with foreign labor but for the protection afforded by the present tariff. Under the so-called Wilson schedule of lower duties our factory was forced temporarily to close.

I think you would hardly wish to see the labor conditions of this country like those of Europe, as I myself have but recently seen them there. That is a hard country on man's best friends—women and dogs—while the children come in for no small share of the toil and drudgery necessary to their subsistence at the expense of early intellectual and physical development. While in many gun factories there conditions are satisfactory according to their standards, wages generally paid skilled mechanicians are much lower than in this country, and a large part of the heavy and mechanical labor is performed by poorly paid women, such as is done in this country by men at fair wages. The cheaper grades of guns, however, many of which find their way into this market, are produced by labor which hardly realizes an existence.

Up to a certain stage, guns are made by machinery mostly, but after that it is all hand labor.

The cheaper grades produced abroad, costing there but $4 or $5, pass through the hands of some 40 different workmen and undergo as many different processes of skilled or partly skilled labor. This is done largely by the women and children under piecework contract in their own homes, and how little each receives is not difficult to estimate approximately.

Even from the standpoint of altruism, their conditions would not be materially bettered by a change in our tariff, but on the contrary, competition on a nonprotective basis would doubtless force similar conditions here or else a large reduction in our output.

Of the guns which come into competition with those we manufacture there were imported into this country, according to statistics furnished by the Department of Commerce and Labor, by years (ending June 30) and values: 1903, $69,688; 1904, $62,538; 1905, $62,461; 1906, $66,337.

The importation of forged rough-bored tubes for barrels by the American manufacturers for the corresponding years were: 1903, $233,826.66; 1904, $172,691.19; 1905, $216,876; 1906, $260,683.

It will be seen from these figures that we have been barely able to hold our home market against the finished product of foreign competition, and have drawn heavily upon them for our rough tubes or barrels, which do not come into competition to any considerable extent with similar manufacture here, being produced abroad by low-paid skilled labor of special experience.

I have before stated that while our labor and material have been increasing in cost and are higher than in Europe, the price of our product has been lowered by domestic competition. Paradoxical as it may seem, we are now able to place upon our home market guns of about the same grade at about the same prices as those manufactured abroad are placed on their markets there.

The manufacture of the standard double-barreled gun, however, is not and has not for some years been excessively profitable, paying but

Digitized by Google

a fair return upon the capital invested, and in some cases none at all. Only by keeping up the volume can the scale be prevented turning from the profit to the loss side of the balance sheet, and this doubtless could not be done if our tariff were lowered, admitting a flood of the foreign product to be poured in upon us, with but little, if any, lowering of prices to the consumer.

I have previously mentioned something of the history and development of gun making, to show that it had its origin abroad, and therefore, unlike many other American industries, did not have its initiative here. It had to be developed in the face of strong foreign competition, and therefore protection was, and I believe still is, necessary.

From the same source as the previous statistics quoted I am able to give you some further figures showing the capital, wages, and value of output of the American firearms industry, as follows:

Year.	Capital.	Wages.	Output.
1880	$3,115,489	$2,700,281	$5,736,936
1890	4,672,424	1,575,931	2,922,514
1900	6,916,231	2,543,366	5,444,659
1905	10,376,264	3,722,850	8,275,560

I would call your attention to the ratio of wages to output: 1880, 47 per cent; 1890, 50 per cent; 1900, 47 per cent; 1905, 45 per cent. As the value of output given is probably higher than actual cost, these ratios should doubtless be 20 to 25 per cent higher, from which it would seem that of any benefits of the tariff labor shares at least equally with invested capital. You will observe the diminution of nearly 50 per cent of capital between 1880 and 1890, which takes in the period of tariff revision of 1883, and the free trade or tariff reform administration of 1884 to 1888, leading up to the higher revision of 1890. From 1890 to 1900 an increase of about 50 per cent in capital is shown, but still 15 per cent below that of 1880—twenty years before. This included the short period of operation of the higher tariff of 1890, the free-trade revision of 1894, and the return to the higher schedule of 1897. From 1900 to 1905 note the large increase in the five years from seven millions to over ten millions under the present schedule—a strong argument surely for the principle of protection.

The basic patents of the double-barrel gun have long since expired and therefore afford us no protection in this form except as to a few minor or special features. Neither are we in any combination with other manufacturers to restrict output or prices. We are simply in open competition with the older-established industry and lower-paid labor of Europe, in which our only advantage lies in the tariff and our hope in its stability on the present, as I believe, just and equitable basis.

Respectfully, yours,

F. M. Farwell,
President-Treasurer Baker Gun and Forging Company.

Digitized by Google

AUTOMATIC PISTOLS.

[Paragraph 193.]

CHICAGO, ILL., *Marquette Building.*

COMMITTEE ON WAYS AND MEANS,
House of Representatives, Washington, D. C.

GENTLEMEN: We desire to call your attention to the fact that automatic pistols are not classified in the present tariff schedule. The manufacture and sale of this pistol is controlled by only one American manufacturer, whose cost of production is only from 10 to 15 per cent more than the cost of production in Europe. The American consumer, however, is charged from five to six times the original cost on account of the almost prohibitive tariff of 45 per cent; and we believe that on looking into this matter you will agree with us that this class of merchandise should not be taxed over 20 to 25 per cent.

Respectfully, yours,

THE CONNOR GORHAM COMPANY,
W. A. WITHERS.

REVOLVERS, SHOTGUNS, AND BICYCLES.

[Paragraphs 158 and 193.]

FITCHBURG, MASS., *November 25, 1908.*

HON. SERENO E. PAYNE,
Chairman, Washington, D. C.

HONORABLE SIR: We wish to enter our protest against any reduction in tariff on revolvers, shotguns, and bicycles.

We feel that the present rate hardly protects our manufactures, and we hope you will use your influence to protect the makers of the above-named lines of goods, and not have the tariff on same reduced.

Thanking you for anything that you can do for us in this connection, we are

Very truly, yours,

IVER JOHNSON'S ARMS AND CYCLE WORKS.
FRED I. JOHNSON.

ENAMELED WARE.

[Paragraph 159.]

STATEMENT OF LOUIS INGRAM, PRESIDENT OF THE INGRAM-RICHARDSON MANUFACTURING COMPANY, OF BEAVER FALLS, PA., RELATIVE TO ENAMELED IRON SIGNS.

THURSDAY, *December 17, 1908.*

Mr. INGRAM. Mr. Chairman and gentlemen of the committee, we represent the manufacturers of enameled-iron signs. Up to within ten years ago the greater part of this work was done in England.

Digitized by Google

Mr. DALZELL. What duty does it pay?

Mr. INGRAM. Forty per cent, and comes under porcelain plates. In England it is quite a large industry, as they have 14 or 15 factories making it. Up to about ten years ago we could not make this goods in this country, because we did not have the experience and we did not know how to work it, but now we can make it as good as they can make it in England. We have built up the business in this country, and I do not think now that there is more than 10 per cent of the work imported. I do not want to ask for an increase of duty, but I simply want to protest against the duty being taken off.

Mr. DALZELL. I do not see where it comes in under the head of porcelain.

Mr. INGRAM. It comes in under the head of porcelain plates.

Mr. HILL. It is in paragraph 159, wares or articles, enameled or glazed.

Mr. FORDNEY. What is it that you want?

Mr. INGRAM. We want the duty to remain as it is now.

Mr. UNDERWOOD. What is the value of this business now?

Mr. INGRAM. It was about $200,000 last year.

Mr. UNDERWOOD. What are your competitors doing?

Mr. INGRAM. I presume that we do as much as all of the others put together.

Mr. UNDERWOOD. Then the amount of the business would be about $400,000?

Mr. INGRAM. Yes, sir.

Mr. UNDERWOOD. What is the amount of the importations?

Mr. INGRAM. I can not tell it exactly, but it can not be much more than $50,000.

Mr. UNDERWOOD. About $400,000 worth was produced here and about $50,000 worth imported?

Mr. INGRAM. Yes, sir.

Mr. UNDERWOOD. You control about 80 per cent of the American market under the present duty?

Mr. INGRAM. No; we control about 50 per cent. We make about 50 per cent of the amount of goods.

Mr. UNDERWOOD. I am talking about the entire trade.

Mr. INGRAM. Yes; the entire amount made in this country.

Mr. UNDERWOOD. There is about 80 per cent of it made in America and less than 20 per cent imported from abroad?

Mr. INGRAM. Yes, sir. Formerly we could not produce it in this country. We did not know how to handle the matter of enameling, and to show you the difficulty that there was, there have been about eight firms who are now defunct, having gone out of the business. They could not overcome the difficulties and compete with England.

Mr. UNDERWOOD. How does the labor cost compare with the cost of the material?

Mr. INGRAM. We do $205,000 worth of that business and the labor cost is $65,000, or about 30 per cent.

Mr. UNDERWOOD. And the balance is material and fixed charges?

Mr. INGRAM. Yes; and selling expenses.

Mr. UNDERWOOD. What is the labor cost in England?

Mr. INGRAM. I worked in one of the principal factories in England from the time I was 14 years of age until I became 21 years of age,

Digitized by Google

when I came to this country. We pay our furnace men from $2 to $2.25 a day, and the same men work over there for about $7 a week.

The CHAIRMAN. You say that you have only been able to produce it within the last ten years?

Mr. INGRAM. Ten years ago more than 50 per cent of it was imported, and now only about 10 per cent of it is imported.

The CHAIRMAN. What is the amount of the production?

Mr. INGRAM. About $400,000 worth per year.

The CHAIRMAN. And how much imported?

Mr. INGRAM. About $50,000 worth.

The CHAIRMAN. That included goods that are enameled or glazed and everything under the 40 per cent paragraph?

Mr. INGRAM. Yes, sir.

Mr. UNDERWOOD. You were giving the labor cost in England.

Mr. INGRAM. I was going to speak of our designers. The sign which I have showed you is a plain advertising sign in two colors. That is the one which is principally used by advertisers in the United States.

Recently two men came from England and I hired them. I pay one $22 per week and the other $25 per week. One of those men, in England, only got $6.50 per week and the other $7.50 per week. That shows the difference in the rate of wages in that particular kind of work. When I worked in England I got $12 per week.

Mr. UNDERWOOD. Are wages in England one-third less than they are in this country?

Mr. INGRAM. A good deal less than that. We pay anywhere from 50 per cent to 150 per cent more wages. Some of this work is done by female labor. We use about 45 girls. We can not hire a girl for less than $4.50 per week. The girls do the lettering.

Mr. UNDERWOOD. How much do these girls get in this country?

Mr. INGRAM. From $6 to $10 per week.

Mr. UNDERWOOD. And what do they get on the other side?

Mr. INGRAM. I know of one girl on the other side, whom I understand has been in the same factory twenty-five years, and she gets $4 per week. They pay girls over there anywhere from $2 to $3 per week. We can not start a girl in here who is over 16 years of age for less than $4.50 per week.

Mr. UNDERWOOD. What is the average difference in the labor in America as to percentage? In other words, what would be the difference in the percentage between England and America as to labor?

Mr. INGRAM. It is about one-third.

Mr. UNDERWOOD. So that in America a dealer would estimate an average of 33⅓ cents as the difference in wages?

Mr. INGRAM. Yes, sir.

Mr. UNDERWOOD. Then, of the cost of this product, the wage cost, of making these signs is 30 per cent. The difference in the wage cost here and abroad would be 20 per cent and the difference in the tariff and wages would be 25 per cent of the cost?

Mr. INGRAM. Yes, sir.

Mr. UNDERWOOD. You are asking 40 per cent?

Mr. INGRAM. Yes, sir.

Mr. UNDERWOOD. Then, there is a protection over and above the labor cost?

Digitized by Google

Mr. INGRAM. Yes, sir; but that does not take into consideration the cost of selling.

Mr. UNDERWOOD. They have to pay the same amount of money for selling the product here that you have to pay?

Mr. INGRAM. Yes, sir.

The CHAIRMAN. Do you buy or make your steel sheets?

Mr. INGRAM. We buy them. English work costs 24 cents laid down in this country. We have sold a good deal at a less price. We have sold as low as 20 cents a foot, which is only a 5 per cent margin.

Mr. HILL. Is this only one of the items that you make?

Mr. INGRAM. That is one of our articles called the "porcelain sign."

Mr. HILL. Is your business exclusively that of making signs?

Mr. INGRAM. Yes, sir.

Mr. HILL. This is not similar to the big order business, such as the manufactured tableware, dishes, etc., which also come under this classification in paragraph 159? Yours is a peculiar or special business?

Mr. INGRAM. It is.

Mr. HILL. Is there anybody in competition with you?

Mr. INGRAM. There are four other firms.

Mr. HILL. I mean competition from abroad.

Mr. INGRAM. We do have some, but we have practically killed the English competition.

The CHAIRMAN. Do you want the duty increased?

Mr. INGRAM. No, sir; we are able to hold our own with England at a duty of 40 per cent. It is just about all that we can do to hold our own at that rate.

Mr. FORDNEY. You want that rate retained?

Mr. INGRAM. Yes, sir.

The CHAIRMAN. You say that you can hold your own?

Mr. INGRAM. Yes, sir. In England it is a regular business. There are 10 or 15 concerns making these signs in England, and the reason why the American advertisers do not use so much of these is because they do not make it a standard. In England a man buys a sign and wants it to last ten years. They use more of those over there than we do in this country. There is not a great deal of demand in this country for that kind of work.

The CHAIRMAN. Do you make any signs of the class where they are used for distributing, where they use large quantities of the same thing with the same wording?

Mr. INGRAM. Yes, sir; for instance, we got an order for an advertisement, like the "Tom Keene" cigar. We are making 5,000 of those signs. They can buy those signs in England, now, cheaper than we make them. We can, however, make them quicker deliveries. That is the only way in which we have the advantage in competition with England.

Mr. NEEDHAM. Can you give us a list of those doing business of this kind abroad?

Mr. INGRAM. I can give it to you up to within the last three or four years. This year we took an order from the Continental Insurance Company of New York—an order that we had been trying to get for five years. We had never been able to make a price that would compete with those English signs. We did not make any money on that order, but we wanted to take it as a matter of pride.

Digitized by Google

THOMAS K. NIEDRINGHAUS, NEW YORK CITY, ASKS FOR NEW CLASSIFICATION FOR ENAMELED WARE.

NEW YORK, *November 21, 1908.*

Hon. SERENO E. PAYNE, M. C.,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D. C.

SIR: The undersigned represent the manufacturers of enameled ware in the United States. Your committee have given notice that on the 25th instant you will consider Schedule C, and we beg to file answer to said notice and to present herein a very brief statement, later to be amplified by the submission of proofs of our several contentions.

There are in this country about 28 factories manufacturing enameled ware; the aggregate capital invested is in excess of $20,000,000. The number of working people who are dependent on the industry aggregate 15,000; the industry is diversified, in that our factories are located in 10 States, to wit, New York, Pennsylvania, Ohio, West Virginia, Illinois, Indiana, Wisconsin, Missouri, and Maryland.

We are not asking for exceptional protection under the tariff. An anomalous condition exists under the present law, for the unfinished iron shape, when imported, is assessed 45 per cent ad valorem (vide par. 193), and although to convert said shape into ware (which involves added cost of about 15 per cent, represented by the application of enamels); yet the finished ware, when imported, is assessed only 40 per cent, or 5 per cent less than on the basis of the ware. We respectfully ask that imported enameled ware be assessed, at least the rate of duty now collected on the unfinished shape, or base, i. e., 45 per cent ad valorem.

Relative to the enforcement of the tariff provisions, at this time we do not propose to go into details. It is a notorious fact, however, that certain importations of foreign enameled ware have received consideration, not intended by Congress when the present tariff law was enacted. A system has prevailed whereby certain importing interests have fattened. The means employed have been unwarrantable. Gross undervaluations have been rife and the imported ware has been entered and passed at ruinous prices.

We would briefly invite your attention to the operation of the German treaty, so-called, wherein export value has been determined as the basis for the assessment for customs duties. We are mindful of the fact that prominent in stimulating the German treaty scheme was an enameled-ware importer, whose goods have been in almost continuous controversy with the customs during the past seven years. The law has been openly defied respecting entries on true values and honest packing. Importations of alleged second-quality goods—actually first-quality—at second-class values have been continually passed at the principal ports of entry. Against such conditions our industry has been seriously handicapped. For years we have aided the Treasury Department in its efforts to enforce an honest collection of the duty upon foreign enameled ware.

The certificates of foreign chambers of commerce, which, under the existing German treaty are used in determining dutiable values, have in several instances been found to have been prompted and even executed by a member of the exporting firm.

Digitized by Google

Nearly half a score of separate and independent investigations of shipments of foreign enameled ware have been made abroad by officers of the Treasury Department, with a view to ascertain true values and to check the constant undervaluation and misstatement respecting qualities. Not long ago a member of the Board of United States General Appraisers visited the works of one of the chief German manufacturers. Upon examination of a number of cases of the ware ready for shipment to this country, it appeared that although invoiced as second quality, it was admitted by the manufacturer that they were first quality. It is fair to state that when the merchandise finally arrived in New York the same general appraiser was called upon to pass upon the appeal of the importer, for the values had been advanced by the appraiser, and he naturally disposed of the importer's contentions in short order. This, however, occasioned but a mere ripple in the stream of importations erroneously valued and passed.

The importer, whose goods are above alluded to, it is known now purposes erecting and operating an enameled-ware factory in Germany to cost $750,000, and import the product into this country. The foreign-labor cost is about one-half of that paid in our industry here. The foreign cost of materials is one-third less. The average wage rate for men here is $12 a week, and girls earn $6 per week and upward.

Whereas the value of the imports into this country in 1894 was $31,600, during the fiscal year of 1907 the ware imported reached a value of $907,268 and the duties collected $362,907.

We feel that your honorable committee will give consideration to this matter, of vital importance to us and to the 15,000 laborers dependent upon us for employment, and to enable you to completely understand our contention, we will at a later date submit our proofs.

Very respectfully,

THOS. K. NIEDRINGHAUS,
Chairman committee representing the Enameled-ware Industry of the United States.

THE STEWART STAMPING COMPANY, OF MOUNDSVILLE, W. VA., ASKS FOR THE ASSESSMENT OF DUTIES UPON ENAMELED-WARE PRICES IN THIS COUNTRY.

MOUNDSVILLE, W. VA., *November 23, 1908.*

Hon. JOHN DALZELL, M. C.,
Washington, D. C.

DEAR SIR: We wish to speak with reference to the duty on enameled ware included in article 159, under Schedule C.

We are not manufacturing the so-called "American granite and agate ware," but are confined exclusively to white-lined or porcelain-line enameled iron and steel ware. Our competition comes directly from German manufacturers. The brands against which we have to contend are known to the trade as "Stransky steel ware," "Pyrolite enamel ware," "Elite enamel ware," and other well-known brands, all of which are manufactured in Germany and at least one of which are found in almost every good department store and retail hardware store in the country.

Digitized by Google

We have invested in the business here in West Virginia $450,000, and are doing a business in this city alone of $800,000 per annum. We claim and believe that we are manufacturing ware equal in quality to that made in Germany, but we are not holding our own with the foreign ware, importations of which are steadily increasing. It is not because we do not understand the business in which we are engaged, nor do we think that a higher rate of duty than 40 per cent is necessary, but we attribute our difficulties—

First. To a distinctive finish that comes of a superior technique or a delicacy of workmanship that has been acquired by the Germans through generations of experience.

Second. A disposition on the part of the American consumers to give the preference, at equal prices, to any class of goods that bears the magic word "imported" or "made in Germany."

Third. And most serious of all is the unfair advantage taken by the importers of German goods whereby the duty of 40 per cent is in effect greatly reduced on all articles, and on some articles it is cut in two. We refer to the fact that an importing house in New York, owning its own enamel-ware factory in Germany and manufacturing exclusively for itself, can and does consign its product of the German factory to its distributing house in New York at valuations that have no reference to cost of production and bear no relation to the price at which the goods are to be sold in this country. The mere fact that their values are not sworn to and are not open to correction by the customs officials at the port of entry is an invitation to perpetrate a fraud on the Government, and the growth of the importations is an evidence that the importers are taking advantage of this weakness in the administration of customs.

Fourth. Again, taking advantage of that clause referring to unfinished goods, the importer has certain goods consigned to him as unfinished goods, admitted under a lower rate of duty, certain articles, such as coffeepots in one shipment, unfinished because without covers, and covers in another shipment, unfinished because without pots, both of which articles become finished when the cover is put on the pot after passing the custom-house. Other articles requiring bails continue to be unfinished goods until after the bails are affixed in this country.

Fifth. We submit that this mode of procedure defeats the will of Congress, deprives the Government of its fair revenue, and brings to us unfair competition. Whatever may be said of the grosser forms of steel manufactures, this line of business is emphatically an infant industry that needs and must have protection.

As stated, 40 per cent ad valorem properly administered is sufficient, but we would like to see the frauds perpetrated through the unfinished clause done away with by abolishing that clause, and we would like to see 40 per cent duty assessed upon valuations that bear some relation to the price for which the goods are going to be sold in this country, since it is impossible to ascertain the true market value of goods in Germany of which 90 per cent is manufactured for export. The insignificant 10 per cent can be and is sold at a very low price in Germany to fix a valuation for the 90 per cent that is exported, and even the 10 per cent would not be selected goods.

Digitized by Google

We suggest that a lower rate of duty than 40 per cent would be more real protection if based upon values in New York than in Germany.

We are convinced that unless these abuses that have grown up quite recently are not remedied now, that the outlook for the American manufacturer of enamel ware is very dark, indeed.

Respectfully submitted.

THE STEWART STAMPING CO.

REPRESENTATIVES OF NEW YORK IMPORTING HOUSES ASK FOR REDUCTION OF DUTY ON ENAMELED WARE.

NEW YORK, *December 4, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
House of Representatives, Washington, D. C.

DEAR SIR: We address you concerning the duty on enameled ware, of which we are importers.

Under existing conditions there is absolutely no reason for advancing the rate of duty on these goods. In fact there are ample reasons for reducing the same, which is what we request.

An attempt is evidently being made to induce your honorable committee to advance the duty on these goods either by increasing the ad valorem rate upon them or by putting a specific duty upon them which will conceal the actual advances.

What is enameled ware, is a question which many people might ask. The answer is simple. It embraces a great variety of useful articles made of steel which has been stamped or worked into shape, coated with a glaze, and then fired in an oven from one to four times to harden the glaze. It embraces articles like the dinner pail of the workman, numerous kitchen and household articles, such as saucepans, kettles, baby food cups, wash basins, milk pans, dippers, etc., and hygienic utensils for hospital and medical use, such as hospital trays, bedpans, pus basins, sterilizers, medicine cups, bandage baskets, etc. It is thought that Congress will not wish to increase the duty upon articles which are used so extensively by the laboring man, the housewife, and the surgeon.

The present rate of duty of 40 per cent ad valorem has seen an enormous development in the manufacture of these goods in the United States. What reason is there to now advance that rate? The tariff act of 1894 put the rate of duty at only 35 per cent ad valorem, and even under that protection the domestic production increased tremendously. When, in 1897, the tariff was advanced to 40 per cent ad valorem, a still more rapid development in domestic production occurred, and within two years of the passage of that act domestic manufacture had increased to such an extent that there was formed what is called the "Enameled ware trust," embracing most of the separate manufacturers. This company, whose full title is the "National Enameling and Stamping Company," has been the dominating factor in the situation for the last eight or nine years, and its vice-president, Mr. Niedringhaus, now appears before your

Digitized by Google

committee to speak (apparently) not only for his company but for all the domestic manufacturers.

This trust does about two-thirds of the business of the United States. It is capitalized at $30,000,000, of which $10,000,000 is in preferred stock, paying a guaranteed dividend of 7 per cent, and of which $20,000,000 is in common stock that has usually paid 4 per cent or 5 per cent dividends. We are not informed as to the extent of "water" in this stock.

This trust has raised prices, and at the same time there has been a depreciation of the product turned out. Both of those facts are inducements to importation. As a result, certain goods from abroad have undoubtedly been brought in which compete with domestic goods, but the competition between foreign and domestic goods is, after all, extremely limited. Approximately 80 per cent of the domestic product is of such a character that imported goods do not compete with it and would not compete with it even if the duty were largely reduced.

The amount of the domestic production at the present time does not precisely appear, but Mr. Niedringhaus claims that there is a capital of $20,000,000 invested in the business. This is possibly an underestimate, but, assuming that he is correct, it is safe to say that the domestic output at present has a value of $20,000,000 per annum. Now, according to the government statistics, the importations of enameled ware for the fiscal year ending June 30, 1907, amounted to only $907,268.87. If we add to that the duty of 40 per cent ad valorem, and a further 10 per cent for freight, and so forth, or in all 50 per cent ($453,634.44), we have a total value as landed on these shores of only $1,360,903.31, which is approximately 6¾ per cent of the domestic product—certainly not a very serious competition. The domestic interests have grown up and fattened under a duty of 35 per cent and a duty of 40 per cent. Of course they would like more, but why do they need it?

Insinuations of undervaluation are made by the domestic manufacturers. These are absolutely without foundation, as is shown by official reports. It is doubtless true that Mr. Niedringhaus, or his associates, have endeavored to prevent undervaluations and have aided the United States authorities along those lines. It is also true that one of the general appraisers went to Germany and investigated the conditions of the business there. It is also true that many cases have arisen where the examiners of merchandise have sought to advance the value of importers' invoices. All this goes to show that the imported goods have come in under the full glare of the limelight. They have not been in the shadow, and thus, possibly, able to escape attention and slip through on less than their proper values.

And what has been the result of all this searching inquiry, of all this challenge of reputable people, of all this furore? The best answer to this is found in the official reports of reappraisements for the current year. These show that there have been fourteen of such appraisements, the numbers of which are 12540, 12578, 12701, 12798, 12830, 13027, 13456, 13501, 13536, 13684, 13771, 13915, 13969, 14086. In ten of these cases, after a searching investigation on the part of the general appraisers, it was found that the invoices were absolutely correct, and that no advance was warranted. In one of them it was

Digitized by Google

found that a slight addition should be made for freight and expenses from Paris to Antwerp. In another it was found that a discount of 2 per cent should not have been deducted. In all these 12 cases out of the 14 it will thus be seen that practically the invoice values were absolutely sustained. The remaining 2 cases resulted in advances to the invoice values of something like 10 or 15 per cent, but it should be said that the importer of the goods in those two cases is not one of those who are making this appeal to your committee, and, in fact, has gone out of business. Therefore we say with all confidence that the charges of undervaluation against us are proven to be absolutely without foundation.

The so-called "German agreement" has also come in for criticism by Mr. Niedringhaus. He seems to imply that this agreement has in some way enabled us to get our goods in at "export prices" instead of at the ordinary prices of the German market. The absurdity of this contention is apparent when it is noted that the export prices for enameled ware in Germany are higher than the ordinary market value in that country. This is rather an unusual circumstance, but it has been abundantly proven to the satisfaction of the United States general appraiser who investigated this question abroad. It is therefore fair to say that a duty of 40 per cent ad valorem on these export prices is about equivalent to what a duty of 45 per cent ad valorem would be on the prices in the home market of Germany, which are ordinarily the basis for the assessment of our ad valorem duties.

The difference between "seconds" and "firsts" has also been referred to as a source of fraud. This, of course, is ridiculous. It is undoubtedly true that enameled ware falls into two grades—"firsts" and "seconds"—but that is true of the market in the United States as well as of the market abroad. It is also true that there is a difference in value between the "firsts" and the "seconds," but all such questions are carefully considered by the appraisers when they determine the correct value on imported merchandise. So that this question is really wrapped up in the question of valuations and is settled when that is settled.

It is alleged that the so-called "black shapes" pay a duty of 45 per cent ad valorem, and that the finished articles should pay no less. This is a specious argument, but not an accurate one. When the act of 1897 was framed no special provision was made for these black shapes, because none were being imported. If they had been mentioned in the law there can be no doubt that they would have been put at a much lower rate than 45 per cent ad valorem. They are comparatively simple products of steel, stamped or pressed, and a duty of 30 per cent ad valorem upon them would be ample—that being about the maximum rate provided in paragraph 135 for various steel products, including "pressed, sheared, or stamped shapes." Everybody knows now, as Mr. Carnegie has proclaimed, that steel can be produced in this country as cheaply as abroad. That the shapes are not produced more cheaply abroad is very evident from the fact that very few of them are imported. Perhaps $20,000 worth of them may be imported a year; the figures are not available, but can doubtless be ascertained by your committee through the Secretary of the Treasury. On the other hand, we think it safe to say that domestic black shapes are made to the extent of $10,000,000 a year. So that the imported shapes amount to only one-fifth of 1 per cent of the

Digitized by Google

domestic manufacture. And these few imported articles embrace certain peculiar shapes only, and are temporary importations by domestic plants, which have not been at first thoroughly equipped, but which afterwards make their own shapes and discontinue importation.

The cost of producing most of the enameled ware made in the United States is less than it is abroad. The steel shapes are, if anything, cheaper here than abroad. So is coal, which is a specially important element to consider in this case, because of the elaborate firings through which the goods have to go, to wit, from one to four times. The materials for making the glaze include, as one of their important ones, oxide of tin. This is on the free list and is practically as cheap here as in Europe; it is expensive in proportion to its bulk, and freight adds little to its cost in this country. Labor may receive twice as much per hour in this country, but it produces twice as much per hour. And so we could run through all the elements going into the manufacture of these goods and show that there is little or no difference in favor of their cheapness abroad.

There is a geographical protection of about 10 per cent to the domestic manufacturers by reason of expenses of transit, etc., which are especially large in a matter of this kind, because the goods are bulky and the glaze is apt to break; so they require an extra amount of packing for their safe transportation, and this packing all pays the 40 per cent duty. That liability to damage is a very real danger; we constantly have importations damaged to a large extent, and hence much depreciated in value, on which, nevertheless, we pay duties on the full invoice price as for articles in good condition.

We presume that all these allegations about undervaluation are to form the foundation in the future for a suggested specific duty upon enameled ware. We can not anticipate the exact nature of the duty that will be suggested, but we may say here, first, that as the bogey of undervaluation has been proven unreal, there is no need for any change in the method of assessing duties, and, secondly, that no system of specific duties would be a fair one. To start with, "seconds" are often worth less than one-half of "firsts," but the values of the two have a very variable relation. Again, any rate of duty which would be equivalent to 45 per cent ad valorem on the more expensive goods would be equivalent to perhaps 150 per cent duty on the commoner goods that go to the plain people. The truth is that an ad valorem duty is the only one on goods of this character which is fair alike to the poor man and the rich man. And such a duty, assessed under the watchful eyes of Mr. Niedringhaus and the Government, has been proven officially to lead to no frauds or errors.

We notice that Mr. Niedringhaus alleges that one of the importers of enameled ware purposes erecting a factory in Germany to cost $750,000, for the purpose of sending its product into this country. It is assumed that he is referring to one of the firms whose signatures are appended hereto. If so, we beg to absolutely deny the truth of his assertion. No such factory is in contemplation. We may go further and say that we do not know of any other importer who has any such purpose. But even if such a thing were contemplated, what fear need this $30,000,000 trust have of such a small competitor?

In view of all the preceding facts and arguments we ask that the duty on enameled ware be reduced to at least 30 per cent ad valorem,

Digitized by Google

in accordance not only with the particular facts of the present case, but in accordance with general opinion as to duties on steel.

STRANSKY & CO.
ROTHSCHILD, MEYERS & CO.
THE STANDARD ENAMEL WARE CO.
MARKT & CO. (LIMITED).

NEEDLES.

[Paragraphs 165 and 620.]

BECKERT NEEDLE AND SUPPLY CO., GERMANTOWN, PA., THINKS DUTY ON KNITTING NEEDLES SHOULD BE REDUCED.

GERMANTOWN, *December 3, 1908.*

Hon. SERENO E. PAYNE,
Chairman of the Ways and Means Committee,
Washington, D. C.

DEAR SIR: Regarding the paragraph 165 in the Dingley Act, would say that we are importers of knitting machine needles. The fact that we do exist would perhaps be argument enough that the duty we are paying is not too much. Nevertheless, we feel that this duty should be lowered somewhat, as it would be a help to the American knitting mill, and no hardship to the American needle manufacturer.

Needles are sold in this country as low as $2.25 per thousand. They range in price from this to over $20. Taking into consideration this wide range in price, we think you can readily appreciate that the specific duty of $1 per thousand makes the importing of the cheaper grades of needles impossible. We therefore think this specific duty should be greatly reduced.

The writer has been importing needles for over ten years, so feels that he should be quite familiar with this line of business. Any questions you would care to put to us, we will gladly answer to the best of our ability.

Yours, very truly,

THE BECKERT NEEDLE AND SUPPLY CO.,
C. WALKER JONES, *Treasurer.*

CONTINENTAL LATCH NEEDLE CO., NEW YORK CITY, WISHES LOWER DUTY ON LATCH AND SPRING NEEDLES.

NEW YORK, *December 3, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
Washington, D. C.

SIR: I wish, as an importer, to submit that the duty on knitting-machine needles is higher than is necessary for the proper protection of the American needle industry, and ask that the extra $1 per 1,000 be omitted.

Digitized by Google

The domestic needle manufacturers' prices are lower than ours in every kind of needle and we are only able to do business in this market, because up to the present the German article has proved superior in finish and wearing qualities to the domestic article. As, however, the latter has improved greatly in the last five years and is still improving, the position of importers is fraught with considerable danger unless the high duty is reduced.

Certain lines of latch needles of a simple nature can not be imported at a profit, because they are made just as well here, and unless we meet domestic prices we can not do business. On the finer and more complicated styles we can do business, in spite of the fact that our prices are uniformly higher than those of our domestic competitors, from $1 to $5 per 1,000 higher.

As to spring-beard needles used in circular underwear machines, sold here at prices ranging from $2.25 to $5, we are absolutely shut out, owing to the extra $1 a thousand. For instance, the cheapest of these needles, sold here at $2.25 to $2.50, can not be bought in Europe under $1.25 to $1.50 per thousand, which, with duty and charges, brings them up to about $2.60 and $2.95, respectively; that is to say, they cost us 15 per cent more than they are sold for here. To these prices must be added our profit.

In view of these circumstances, I would submit that the tariff on knitting-machine needles should be revised thus:

	Per cent.
Latch needles	25
Spring-beard needles	35

Which would enable us to compete with our American competitors on more even terms. On latch needles our prices would still in many cases be higher than American prices, but on spring needles, which are made quite as well in this country as in Germany, and where excessive protection is unnecessary, they would be about the same.

The result of such a change of tariff would be an increased revenue for the Government and a decided benefit to the hosiery and underwear manufacturers of this country, as those who prefer German needles would effect a saving of about 10 per cent on their needle account.

The expenses of importing needles are very high, for large stocks are necessary, and almost all needles used in this country are special needles for the German needle factories, the machines used here being quite different. I make this plea for reduction of the tariff not in order to be able to undersell the American producers, but that we may be given a more even chance with them. Nor do they suffer from German competition, for in normal times, with mills running full time, there is always a shortage of needles, and if it were possible for us to import some of the cheaper lines at a profit the knitting industry as a whole would be benefited and the United States revenue increased.

Trusting that you will be able to give this plea your favorable consideration, and placing myself at your service, if you wish any further information, I am, sir,

Yours, respectfully, E. W. L. JASPER,

Representing Continental Latch Needle Company.

Digitized by Google

NEEDLES AND SEWING MACHINES.

[Paragraphs 165, 193, and 620.]

DURBROW & HEARNE MANUFACTURING COMPANY, NEW YORK CITY, URGES DUTY ON HAND-SEWING NEEDLES.

NEW YORK, *November 30, 1908.*

WAYS AND MEANS COMMITTEE,
Washington, D. C.

DEAR SIRS: We wish to call your attention to two items in the present tariff schedule that we think could stand revision with practically no injury to any interest and with some increase of revenue on one item to compensate for any possible loss on the other, although there is no certainty that there will be any loss. We refer to needles and sewing machines.

(1) Under the present schedule "hand-sewing needles" are admitted free. There is no reason for this. They are not raw material, and the per capita consumption is so trifling that a small duty on them would not be felt by any industry and yet would yield a nice round sum in yearly revenue.

Sewing-machine needles and knitting-machine needles are, however, taxed at 25 per cent ad valorem and $1 per 1,000 additional. We believe we can honestly say that there is little or no importation of sewing-machine needles to compete with American manufactures, of which one concern practically controls the market and exports goods.

The sewing-machine needles and knitting-machine needles imported are almost exclusively for special foreign sewing machines used here. (See later paragraphs about sewing machines in explanation of this.)

We think the tariff on sewing and knitting machine needles should be reduced. The $1 per 1,000 specific duty should be taken off and some reduction made in the ad valorem duty also, say 10 per cent.

(2) *Sewing machines.*—Sewing machines being very largely protected by patents, there is little or no prospect of competition from outside. Foreign copies of American machines can not be sold here because of patents, and copies of old-style machines are unsalable here because they are too old-fashioned.

It follows, then, that the importations of ordinary sewing machines are nil, and it is practically only special sewing and embroidering machines that are imported, such as are not made in this country at all, but which have been developed in Europe for special industries.

A duty of 25 per cent on sewing machines and accessories and parts would be ample protection, even if we wanted to make any of these special machines here, and would still return revenue, perhaps increased revenue, as lower cost always stimulates consumption.

After thirty years' experience, we can honestly say that American manufacturers can and do sell sewing machines, even here, as cheaply as any country in the world. The freight charges also would be sufficient protection to American manufacturers.

Respectfully submitted.

DURBROW & HEARNE MAN'F'G CO.,
P. J. HEARNE, *Secretary and Treasurer.*

Digitized by Google

THE NATIONAL SEWING MACHINE COMPANY, BELVIDERE, ILL., STATES THAT THE PRESENT DUTY ON SEWING MACHINES IS ENTIRELY SATISFACTORY.

BELVIDERE, ILL., *November 30, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: We desire to make defense regarding the question of tariff revision on the merchandise that we are interested in.

First. We are manufacturers of sewing machines and attachments and accessories for same. The paragraph or portion of paragraph under the present law in which we are interested is paragraph 193, and the duty is 45 per cent ad valorem. The present law is entirely satisfactory to us, and we would regret very much if any reduction in duty should be made, as the principal cost of sewing machines is the labor, and our principal competitors are the Germans, and, as you know as a matter of fact, the German wages on this class of work is not to exceed one-third of the American labor. The present tariff is sufficiently high to keep out the German manufacturer, and we sincerely hope that no reduction in the percentage will be made on the goods covered under this paragraph, as it is none too high for full protection for the American manufacturer.

The American consumer is not burdened in the slightest by the duty on sewing machines, as the internal competition among the manufacturers is so severe that the cost of sewing machines to the consumer at the present time only pays a moderate profit. In fact the profit on sewing machines in the United States to-day to the consumer is less than it is on flour. Therefore the duty assessed on sewing machines is no burden whatsoever to the people of the United States, and we further state that our goods are not sold in foreign countries for any less than they are sold in the United States. In fact the foreign price is a little higher.

Sewing-machine needles.—Paragraph 165. With the present law the duty is $1 per thousand and 25 per cent ad valorem. We don't consider this duty high enough to keep out the foreign manufacturers of sewing-machine needles, and the same thing, so far as labor is concerned, will apply on needles as well as sewing machines, as the principal supply comes from Germany—Germany and England being the only countries manufacturing sewing-machine needles.

We advocate a straight, specific duty on sewing-machine needles of $3 per thousand, as the principal cost in the manufacture of sewing-machine needles is labor. The material in 1,000 sewing-machine needles costs 33 cents, and the cost of labor $4; overhead expense, 33⅓ per cent on labor and 10 per cent on material. Total cost of 1,000 needles, $5.70. The Germans sell needles delivered in New York for $5.12½.

Very truly, yours,

NATIONAL SEWING MACHINE CO.
B. ELDREDGE.

Digitized by Google

UMBRELLA FURNITURE.

[Paragraph 170.]

MANUFACTURERS OF PARTS OF UMBRELLAS ASK A NEW CLASSIFICATION OF METAL RIBS AND THE LIKE.

COMMITTEE ON WAYS AND MEANS,
House of Representatives, Washington, D. C.

GENTLEMEN: We, the undersigned, manufacturers of umbrella and parasol ribs and stretchers, umbrella rods or tubes, and umbrella furniture, including runners, notches, caps, case rings, swedges, metallic trimmings, ferrules, and tip cups in frames or otherwise, respectfully petition your honorable committee for a proper classification of certain articles manufactured by them in this industry, to wit, the classification of rods or tubes, umbrella furniture, consisting of runners, notches, caps, case rings, swedges, metallic trimmings, ferrules, and tip cups, the same to be included in Schedule C, paragraph 170, of the existing tariff law.

The reason assigned for the necessity of this classification is that at the time of the passage of the present tariff law, known as the Dingley bill, the use of steel umbrella rods or tubes was practically unknown, the stem of the umbrella at that time being manufactured of a wooden stick or shank.

The industry in this country has since that time been completely revolutionized in this respect. The use of wooden sticks or shanks has been practically abandoned in this country and there has been substituted therefor the steel rod or tube. The industry abroad is rapidly undergoing the same change. The manufacturers of umbrella furnishings in foreign countries are at the present largely engaged in manufacturing articles of this kind for home consumption and for importation to this country.

The manufacture of this steel rod or tube in this country is a growing industry. They are made from sheet steel, made into tubes, swagged and brazed, plugged and swagged, slotted and punched, and into which are inserted a nickel-plated brass thumb spring made on presses. The ferrule end is nickel plated and the entire rod or tube is japanned, the labor in the manufacture of which bearing the proportion to the cost of material of two to one.

The articles included in the classification of runners, notches, caps, case rings, swedges, metallic trimmings, ferrules, and tip cups are exclusively umbrella furniture and are the essential part of the finished product. The relation of the cost of labor to the cost of material in these articles is in the proportion of three to one; that is to say, three-fourths of the entire cost of these articles being labor and one-fourth being the cost of material. The absence of definite classification for the before-mentioned articles included in the manufacture of umbrellas has resulted in their different classification in the different ports of entry in this country.

The best information obtainable by them shows that umbrella rods or tubes under the existing regulation of the New York custom-house are brought into this country, under paragraph 152 of the Dingley Act, under a duty of 35 per cent ad valorem, while the same articles are classified in the port of Philadelphia and other ports under paragraph 193 under a duty of 45 per cent ad valorem.

Digitized by Google

The other articles enumerated, to wit, runners, notches, caps, case rings, swedges, metallic trimmings, ferrules, and tip cups, as far as they are able to ascertain, bear the general classification under paragraph 193 under a duty of 45 per cent ad valorem.

All these articles are essentially umbrella parts. They can be used for no other purpose, and they, together with umbrella and parasol ribs and stretchers, with the addition of the handle and cover, constitute a complete umbrella or parasol. They are all composed in chief value of iron, steel, or other metal, and therefore they are essentially a part of paragraph 170 of the existing law. It is therefore highly essential that there should be a uniform duty on all the before-mentioned articles, which go to make up the finished product, which consists of umbrella or parasol ribs and stretchers, rods or tubes, furniture, including runners, notches, caps, case rings, swedges, metallic trimmings, ferrules and tip cups, for the reason that the foreign manufacturers export to this country all of these various articles manufactured in the made-up frame. As it is to-day, it is impossible to place a proper valuation on these articles when imported to this country in the form of a frame, which is a complete umbrella or parasol with the exception of cover and handle. It consists of rods or tubes, ribs and stretchers, and all the other umbrella or parasol furnishings.

These articles are entitled to that classification and are not included in it only because at the time of the passage of that law their use in general was in its infancy and little known, so that they failed to receive the classification to which they were logically and properly entitled.

We therefore pray your honorable committee that paragraph 170 be amended so as to read as follows:

> Umbrella and parasol ribs and stretchers, rods or tubes, runners, notches, caps, case rings, swedges, metallic trimmings, ferrules, and tip cups, in frames or otherwise, all of the foregoing composed of metal, or of which metal is the component part of chief value, fifty per centum ad valorem.

We also further pray your honorable committee that this schedule so amended shall be maintained at the present rate of duty, to wit, 50 per cent ad valorem.

We submit that this industry is entitled to the before-mentioned duty because such duty is necessary to equal the difference between the cost of production at home and abroad, together with a reasonable profit to American industries.

An accurate comparison based upon the cost of basic material in the United States and abroad, together with the wide divergence between the rate of labor paid to our employees and that paid to the employees doing similar work in foreign establishments, together with the wide divergence of necessary cost in all the other elements that go to make up the entire cost of this finished product, shows that the manufacturer in Great Britain and Germany can produce and put upon the market similar articles at a cost of 50 per cent of that required for the production of the American product under the most favorable conditions.

This industry is yet in its infancy. The average yearly gross receipts for five years from the sale of all the ribs and stretchers produced by the manufacturers in this country amounts to less than $800,000, rods or tubes to less than $225,000, and of late years no part of this product has been marketed abroad.

Digitized by Google

The amount invested by your petitioners, consisting largely of highly specialized machinery, is about $2,000,000, employing about 1,200 hands.

The competition in this line in the last seven years has, by specialized machinery and special training in operatives, reduced the selling price of ribs and stretchers 33 per cent and umbrella rods or tubes 50 per cent, and umbrella furniture in about the same proportion.

The importation to this country of this product from Great Britain and Germany has thus far been of a minimum amount, due to the fact that the use of this form of umbrella did not become general in these countries until long after it was widely adopted here. But within the last year the manufacture of these umbrella parts in both these countries has been greatly increased and has already become a menace to our industry, and we conscientiously feel that the only protection for our invested capital and our laborers lies in the maintenance of the existing rates of duty, and we therefore earnestly pray your honorable committee for the reclassification herein asked and for the continuance of the duty of 50 per cent ad valorem in Schedule C, paragraph 170.

National Umbrella Frame Co., Chas. S. Forsyth, president, Philadelphia, Pa.; Danbury Brass Works, Thos. F. Henebey, Danbury, Conn.; Penna. Tube Co., J. S. Kellar, president, Philadelphia, Pa.; Newark Rivet Works, Jos. M. Myers, Newark, N. J.; Thos. P. Woolson, per Wm. S. Kelley, Watertown, Conn.; Newark Tube and Metal Works, H. E. Snodgrass, president, Newark, N. J.; S. W. Evans & Son, Frankford, Philadelphia, Pa.; Mendelson & Finkel Umbrella Frame Co., Israel Mendelson, New York, N. Y.

ALUMINUM.

[Paragraph 172.]

STATEMENT OF ARTHUR V. DAVIS, OF PITTSBURG, PA., REPRESENTING THE ALUMINUM COMPANY OF AMERICA.

FRIDAY, *November 27, 1908.*

Mr. GRIGGS. Do you represent a manufacturing concern?

Mr. DAVIS. Yes, sir; I am general manager of the Aluminum Company of America.

Mr. GRIGGS. Are you making any money?

Mr. DAVIS. Yes, sir.

Mr. GRIGGS. I am glad to hear it.

Mr. DAVIS. I shall prepare a brief which I shall submit, which will show the process of making aluminum and what the capital is which is invested in the business, and the cost of labor. I only appear before you to-night in order to ask for a retention of the duty and to explain the fact that the competition which we are now meeting from foreign producers is of a different character from that which we have met before, and is not of a temporary nature due to the depression which exists at the present time. During the last four or five years the producing capacity of aluminum abroad was confined to five companies, and these companies were hardly able to supply the conti-

Digitized by Google

nental demand and the demand in South America, the demand, in fact, outside of the United States; but in the fall of 1907 and in the spring of this year, 1908, seven more companies started almost simultaneously, and at the same time the five old companies finished large additions to their plants. The consumption of aluminum abroad in 1907 was about 7,000 tons. I do not know what it is this year, but naturally substantially less on account of the depression.

The manufacturing capacity by means of these additions and these new plants is about six times the normal consumption of the Continent, and these foreign manufacturing companies are looking to this market in order to get rid of their surplus product, and so far as we can see there will be no let up to their invasion of this market, and every sale that we make, every quotation that we make, is now made in direct competition with the foreign producers.

Mr. GRIGGS. Are they from Belgium?

Mr. DAVIS. No, sir. The foreign producers are principally in France; there are five companies in France.

Mr. GRIGGS. That is right next door. It is all right.

Mr. DAVIS. They are right next door, but there is a big wall between Belgium and France. I was just coming to that point. France has a prohibitive duty of 17½ cents per pound. Our duty is 8 cents per pound. Consequently we can not retaliate at all.

Mr. UNDERWOOD. Is that the maximum or minimum rate in France?

Mr. DAVIS. That is the maximum rate. We have no agreement by which we get the four-fifths rate. It is 200 francs a hundred kilos. I am more familiar with the figures in our money. It is about 17¾ cents a pound.

The CHAIRMAN. Have you a carefully prepared brief there?

Mr. DAVIS. No, sir; I have just a few notes.

The CHAIRMAN. You have no brief prepared?

Mr. DAVIS. No, sir. I am going to file a brief.

The CHAIRMAN. All right. Do you want to be heard any further?

Mr. DAVIS. I merely wanted to make one further statement, and that is that the labor costs in the manufacture of aluminum are relatively greater, I think, than in any other metal. Our ore exists in Georgia, Alabama, Tennessee, and Arkansas. The ore is known as "bauxite." In fact, our company is responsible for the production of bauxite in this country, the use of bauxite both in the aluminum industry and in the other industries in which bauxite has now found a field.

The CHAIRMAN. The trouble is others are asking for an additional duty on bauxite. How would that affect your industry?

Mr. DAVIS. It would not have a material effect on our own company, as we are large owners of bauxite ourselves; but at the same time, we have already invested our money in the bauxite mines and have spent nearly a half million dollars in developing mining machinery.

The CHAIRMAN. You do not ask for any more duty on bauxite?

Mr. DAVIS. No, sir; we do not ask for any more duty on bauxite. We are merely asking for retention of the duty on the aluminum, and on the sheet aluminum, 13 cents a pound.

Mr. GRIGGS. What is it now, 6 cents?

Mr. DAVIS. In sheets, and other semifinished forms, it is 13 cents.

Mr. GRIGGS. You simply ask for the retention of that duty?

Digitized by Google

Mr. DAVIS. Yes; for the retention of that duty. We have to ship this bauxite to our water-power plant, an average distance of 1,300 miles. In France, where they have even better bauxite ores than we have here, that is containing more alumina, they have only 150 miles to ship.

Mr. GRIGGS. Where are your mines situated, in Tennessee, North Carolina and Arkansas and Georgia?

Mr. DAVIS. Yes.

Mr. GRIGGS. Where are your water-power plants?

Mr. DAVIS. At Niagara Falls and Massena, N. Y., where we have, on the St. Lawrence River, large water powers.

Mr. GRIGGS. You sure do ship them a long ways.

Mr. COCKRAN. Do you ship the crude ore by water or rail?

Mr. DAVIS. We ship the crude ore from our mines to East St. Louis, Ill.

Mr. COCKRAN. By rail?

Mr. DAVIS. By rail. At East St. Louis we partly manufacture this material into what is known as alumina. It takes a ton of bauxite, a ton of coal, and a ton of limestone to make a half a ton of alumina, and we have therefore to select some central point where we can find coal, limestone, and bauxite at the cheapest cost.

Mr. GRIGGS. Now, you can find every one of them on the Etowah River in Georgia, with as fine water power as there is anywhere in the world. Why do you not put your plant there?

Mr. DAVIS. The limestone is required to be of very high chemical qualities. We use it in a chemical way and not a building way, and it must be 99 per cent carbonate of lime.

Mr. GRIGGS. It can be made so by burning.

Mr. DAVIS. You can not get rid of the silica by burning.

The CHAIRMAN. The natural place to take the bauxite would be down to the Alabama coal mines, where you have coal and limestone and iron and everything else.

Mr. DAVIS. In France they pay for furnace men, who constitute the largest part of the labor, from 4 francs (80 cents) a day up to $1 (5 francs) a day, and for this amount those men work twelve hours. We have to pay an average price of $2 per day for our furnace men, and our men only work eight hours a day. Therefore our furnace labor, which is the principal part of our labor, is paid almost three times as much as the labor is paid in France, and we particularly call your attention to the fact that in France they have this cheap labor. They have a good ore, only 150 miles away from the best water powers, and they have a duty of 17½ cents which we can not get around, and there is just one point more, and that is this: That in the aluminum business the administrative charges, the overhead charges, are very high. Our overhead charges run 3 or 4 cents a pound, without counting depreciation or counting interest on our investment, but simply our bonded indebtedness and our administrative charges.

Mr. GRIGGS. Is that what you usually mean by overhead expenses?

Mr. DAVIS. Yes, sir; the fixed charges must go on, no matter whether you make 1 ton or 1,000,000 tons.

Mr. GRIGGS. I understand.

Mr. DAVIS. And the French manufacturers are in the position of being able to throw into this country aluminum at a price without any regard to their overhead charges, on the general principle that

Digitized by Google

whatever they can sell over and above their home consumption they can sell at shop cost; and aluminum is being quoted in here very much underneath our cost price f. o. b. New York City or any other port. The freight on aluminum is practically negligible. The freight from France to this country or from any foreign country to this country is 24 cents a hundred pounds, which is practically negligible as compared with the price of aluminum.

The CHAIRMAN. Are there any further questions?

Mr. COCKRAN. I notice here that we have exported of aluminum during the year 1907, $442,897 worth and imported $265,934.40 worth of aluminum goods. Our exports seem to have been double our imports into this country.

Mr. DAVIS. That I am sure is an error.

Mr. COCKRAN. I find it here on page 215.

Mr. DAVIS. As a matter of fact, we have exported no aluminum in the year 1908 nor, as far as I recollect, in the year 1907.

Mr. RANDELL. This is the manufactured aluminum?

Mr. COCKRAN. It is both manufactured and unmanufactured. We exported that much aluminum and manufactures of aluminum.

Mr. DALZELL. What were you about to say, Mr. Davis?

Mr. DAVIS. We can not export it; we have not exported any aluminum, except trivial quantities, for several years. We are out of that market altogether.

Mr. COCKRAN. I will read you what it says here:

"In 1907 we exported aluminum and manufactures of aluminum, paragraph 193, to the value of $442,987. Of this amount $296,444 was taken by Canada and $47,967 by the United Kingdom."

Mr. DALZELL. That is another paragraph?

Mr. COCKRAN. No; that is paragraph 193. It says "aluminum and manufactures of aluminum." That refers to both the paragraphs there.

Mr. DALZELL. I see; both aluminum and manufactures of aluminum. As a matter of fact, we would have more difficulty in exporting manufactures of aluminum than aluminum itself, would we not?

Mr. DAVIS. I do not know that we would; that is out of our line.

Mr. DALZELL. Will you tell me that in the brief that you are going to file?

Mr. DAVIS. I will.

Mr. COCKRAN. All right. As a matter of fact, we can not ship any aluminum abroad?

Mr. DAVIS. We can not, and have not done so for many years.

Mr. COCKRAN. You are the sole company producing aluminum in the United States?

Mr. DAVIS. Yes, sir; we are the only company producing it in the United States.

Mr. COCKRAN. So that no aluminum could have been exported from the country without your knowledge?

Mr. DAVIS. No, sir.

Mr. COCKRAN. Well, that is all right, then.

The CHAIRMAN. I have found an account in the New York Sun of November 27, this date, on the subject of aluminum, and it seems to me a well-written article, and I am going to put it in the hearing.

Mr. COCKRAN. Very well. It will appear in the report of this hearing?

The CHAIRMAN. Yes.

Digitized by Google

(The article referred to is as follows:)

ALUMINUM.

An enormous reduction in the price of aluminum has resulted from new economies in the method of producing it. Aluminum now takes its place among the practical, everyday metals, and the wonder of it is that the supply of it can never be exhausted. The soil is full of it. It makes the basis of common clay, every cubic yard of which contains about 800 pounds of the metal. There will still be aluminum when the world grows cold.

The great problem has been to extract the metal cheaply, and chemists have been seeking a solution for fifty years. In 1857 the "silver-white metal made from clay" was a curiosity that brought $2 an ounce. When the Washington Monument was tipped with aluminum in 1884 the price of the metal was $15 a pound. It dropped to $10 in 1887, when for several years the total product had averaged about 10,000 pounds a year. By the way, the first article manufactured from pure aluminum was a rattle for the young prince imperial of France in 1856.

The cost of production was again and again decreased until about fifteen years ago, when the market value of the metal was 35 cents a pound. It soon became possible to utilize aluminum in the manufacture of many articles for which its strength, malleability, and lightness especially adapted it. The product has arisen to millions of pounds a year, and it is used for many things in place of wood, copper, zinc, and brass.

Now come the latest economies in the processes of production, and Nature, a journal of the highest scientific standing, tells us that aluminum will probably be largely employed instead of copper as an electrical conductor and also in place of tin for many of the purposes which that metal has served. Aluminum is to-day selling in Europe for about half the price of tin. Aluminum foil, for example, is likely entirely to supplant tin foil, for the sheets can be rolled out so exceedingly thin that, weight for weight, eight times as much foil can be made from aluminum as from tin.

No greater emphasis has recently been given to the practical service that science continually renders.

SUPPLEMENTAL BRIEF SUBMITTED BY THE ALUMINUM COMPANY OF AMERICA ADVOCATING RETENTION OF PRESENT DUTIES ON ALUMINUM.

PITTSBURG, PA., *November 30, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The aluminum industry is the result of United States invention and enterprise. The Aluminum Company of America was the first to manufacture aluminum in a large or commercial way, and its process and methods have been adopted by all its foreign competitors. The United States Geological Report of 1906 says:

> The growth of this industry (aluminum) in the United States coincides with the development of the Aluminum Company of America. Operating under the patents of Charles M. Hall, the vice-president of the company, the establishment and development of the aluminum industry have greatly reduced the price of aluminum to consumers.

The United States output of aluminum in 1888 was 19,000 pounds and in 1907 over 16,000,000 pounds. This increased production and the reduction in selling price have been entirely due to the development of the industry which has taken place during and been rendered possible by the tariff protection of the last eighteen years.

Digitized by Google

Production in pounds, of aluminum in the United States, 1888–1907, was—

[From United States Geological Survey Report of 1907.]

1888	19,000	1898	5,200,000
1889	47,468	1899	6,500,000
1890	61,281	1900	7,150,000
1891	150,000	1901	7,150,000
1892	259,885	1902	7,300,000
1893	333,629	1903	7,500,000
1894	550,000	1904	7,850,000
1895	920,000	1905	12,100,000
1896	1,300,000	1906	15,225,000
1897	4,000,000	1907	16,325,000

The aluminum manufactured in the United States is made from the mineral bauxite, found in Arkansas, Georgia, Alabama, and Tennessee. In addition to its heavy investment in mining lands, the Aluminum Company of America has invested in the development of its mines, in buildings, in mining machinery, etc., about $500,000.

The first step in the manufacture of aluminum is the production of alumina from bauxite. It requires approximately 1 ton each of bauxite, coal, and limestone to make one-third of a ton of alumina, from which is made one-sixth of a ton of aluminum. Neither coal nor limestone of proper quality is found near the bauxite mines. East St. Louis, Ill., is the nearest central point where alumina can be manufactured. At East St. Louis the Aluminum Company of America have a large plant to produce alumina, employing about 1,000 men. East St. Louis is an average distance from the bauxite mines of 475 miles.

A large item in the manufacture of aluminum is the carbons, which are made from coke obtained from oil refineries.

An essential requirement in the manufacture of aluminum is electric power, which has only been obtainable in sufficient quantity and at low enough price on the Niagara and St. Lawrence rivers. The Aluminum Company of America have electric smelting plants at Niagara Falls, N. Y., on the Niagara River, and at Massena, N. Y., on the St. Lawrence River, distant, respectively, from East St. Louis 738 miles and 1,014 miles.

At Niagara Falls power is purchased from the Niagara Falls Power Company and others. At Massena the Aluminum Company of America owns its power plant. Its total investment in plants is about $10,000,000.

Aluminum, being thus a concentrated product, has no natural protective barrier due to its bulk, expense of transportation, etc. The cost of transportation on the finished product aluminum is so slight as compared with the value of it that a manufacturer in Germany or France can reach the United States market practically as easily as a United States producer.

Labor enters relatively into the cost of aluminum much more than into the cost of any other metal whatever.

Practically all of the cost is either directly in labor or in materials or power on which a relatively unusually large amount of labor has been expended and large freights paid. The cost of limestone, bauxite, and coal, for instance, in the ground is small, but their cost delivered at East St. Louis is doubled or trebled by the labor which

Digitized by Google

has been put upon them. The cost of the coke from which carbons are made is only $5 a ton, while the cost of finished carbons is $45 to $50 per ton, the increase being practically all labor and freight. In fact, the great difference in cost between the ore in the ground and the metallic aluminum is due, to an unusually large degree, directly or indirectly, to the labor expended upon the elaborate and difficult process of reduction.

Although large quantities of water power are available in the United States, the cost of developing and operating the same is much higher than in Norway, the Alp region, and the south of France, where, with one exception, all the foreign aluminum companies are located. The cost of a water power is almost altogether in labor. The immense sum spent in the hydraulic development is practically all labor. At the Massena plant of the Aluminum Company of America 80 per cent of its power cost was labor, while the remaining expense was for water wheels, dynamos, etc., which cost more in this country than abroad.

Last year the Aluminum Company of America employed 5,000 men in its different departments, and a large number in addition were given indirect employment through the purchase of carbons, soda ash, limestone, and other raw materials required. The wages paid by the aluminum companies abroad are one-third of the wages paid in this country. This unusually large disparity is attained by paying the low European day rate for twelve hours per day, while in this country the liberal rates of American wages are paid for eight hours per day. The Aluminum Company of America years ago adopted the eight-hour system, and, even were they so disposed, it would be to-day impossible to get men to work twelve hours a day, seven days in the week, as the foreigners do. In the south of France the aluminum companies pay from 70 to 80 cents (3.50 francs to 4 francs) per day for yard labor; from 80 cents to $1 (4 francs to 5 francs) per day, according to time of service, for furnace-room labor. The furnace room is the largest department in the aluminum business. The French aluminum companies pay for dynamo tenders and other high-grade labor $1 to $1.20 (5 francs to 6 francs). These rates for twelve hours compare with the rates paid for eight hours by the Aluminum Company of America—$1.50 for common labor, $1.75 to $2.25 for furnace men, and from $2.50 to $3.50 for dynamo tenders, etc. The prices paid in Germany, though slightly in excess of those paid in France, are substantially the same. In Norway dynamo tenders, etc., get 60 to 75 cents per day; furnace men and common laborers correspondingly less. Prices paid in the English aluminum plant are 75 cents per day (18 shillings per week) for common labor, and 88 cents to $1.07 per day (25 to 30 shillings per week) for furnace-room labor. Even allowing for the superior efficiency of American labor, the labor cost in the United States is at least double the cost abroad. This is perhaps more true in the aluminum industry than in some others on account of the preponderant number of furnace men and other unskilled laborers that are required who are not of the skilled grade of machinists, carpenters, etc., who have more opportunity to compensate by their ability for their extra pay.

These data regarding labor rates paid in foreign aluminum plants were obtained by personal investigation abroad.

Digitized by Google

The United States aluminum manufacturer does not have the opportunity of compensating in part for increased labor costs as can be done in some other metallurgical operations. Instead of the ore being richer, as is the case in United States iron ore, copper ore, etc., French bauxite contains 62 per cent alumina and American bauxite 53 per cent alumina. The foreign bauxite is located on the seacoast in the south of France, while the water powers used by five different aluminum manufacturers are also in the south of France; so that their freight haul is not more than 150 miles as compared with the 1,489-mile freight haul in this country. The other foreign manufacturers, located in Norway, Germany, Italy, and England, are either on or close to the seacoast and have cheap water transportation from the bauxite mines, while in this country the location of the mines and the large water powers compel the producer to locate inland and at great distance from the mines. Also, unlike most metallurgical operations, an economy can not be effected by the use of large units, and this fact gives great advantage to the small foreign manufacturer, who can employ his cheap labor on the same-sized units as are used in this country.

The fact that labor enters so largely into the cost of the manufacture of raw materials and appliances required in the manufacture of aluminum has been recognized by the United States Government. Bauxite has a duty of $1 per ton; soda ash, of which large quantities are used, has a duty of three-eighths cent per pound; alumina has a duty of six-tenths cent per pound; and carbons, 35 per cent, while the water wheels and electrical apparatus required have a duty of 45 per cent.

All the foreign aluminum companies are protected by tariff either on both ingot aluminum and on aluminum sheet, wire, and other semifinished forms, or in some instances on only the latter. In France, where the largest number of aluminum companies are located and where the conditions for manufacture are most favorable, the tariff is 17½ cents per pound on both ingots and semifinished forms.

The largest use for aluminum abroad is for military equipment for infantry. The German, French, and other foreign governments buy large quantities of aluminum and thus give to the aluminum factories located in their borders a large and permanent trade which can not be taken away, while necessarily in the United States the field has only been in general consumption—in domestic utensils, wire for electrical conductors, etc.—and to create this market is a very considerable source of expense to the United States producer.

During 1905, 1906, and the first part of 1907 the foreign producing capacity was no more than equal to the foreign consumption, and in fact for a short period was so much less that an acute shortage existed, accompanied by a rise in price. This condition caused the five then-existing foreign companies to increase their plants and induced seven new companies to erect aluminum plants, so that now the foreign aluminum-producing capacity is at least six times the foreign consumption of even the good years of 1906 and 1907. All the foreign companies thus not only have immense surplus-producing capacity, but have large surplus stocks of aluminum. This condition is not a temporary result of the present commercial depression, but is a condition which will continue for many years to come, and is

Digitized by Google

compelling all the foreign companies to turn to the United States market, as is shown by the constantly increasing importations and by the fact that the domestic producer is being met on every sale by a flood of foreign quotations at constantly lowering prices.

The aluminum business lends itself with unusual ease to the disposal of "surplus" or excess product. From behind their prohibitive tariff wall of more than double the United States tariff the foreign aluminum companies can and do quote their surplus stock, delivered in New York, at prices substantially less than the cost of production in this country, and which, even with the United States duty added, compete with the domestic prices which only give a fair profit to the domestic producer.

Foreign aluminum producers sell for export at 12 to 13 cents per pound f. o. b. New York. The domestic price of aluminum is from 20 to 22 cents per pound, which is as low as aluminum can be manufactured and sold under United States conditions of manufacture.

In view of the large amount of labor required in the production of aluminum, the great disparity between labor costs of this country and abroad and the higher price of raw materials and plant in this country, the present tariff on aluminum is only an adequate protection and is necessary if aluminum is to continue to be produced in this country to give employment to American workmen and provide a reasonable profit on the capital invested. The retention of the present tariff is all the more a vital necessity to the American manufacturer on account of the immense surplus producing capacity in Europe and the extraordinary effort which will for many years be made to dispose of, from behind their prohibitive tariff wall, surplus product at surplus product prices which are much less than the cost of production in this country.

Trimmings from aluminum sheet or old sheet, wire, castings, etc., are easily melted over again and run into ingot shape. A large number of metal merchants abroad make a practice of getting together this "junk" or scrap aluminum, remelting the same into ingots, and offering it on this market as new aluminum. As is the case with other metals, such remelted ingots are, for certain purposes, nearly as good as new. As the price of scrap on all metals in all countries is only about 60 per cent of the value of new metal, such remelted ingots can be put on the market at considerably less cost than new metal. There is a large quantity of this scrap, and, as it is more easily sold away from home, where the liability of detection as to its real grade or the liability for redress for damage resulting from its use is very little, this country is always seriously affected by the foreign scrap market, and hence a tariff is not full protection against such sales, as, for instance, the present 8-cent tariff, while it serves as an 8-cent tariff against new metal, is only an effective tariff of some cents less as against the importation of scrap.

The aluminum business has only been ordinarily profitable. Dividends have only been paid by the Aluminum Company of America in eleven years out of twenty, and the average dividend for the eleven years has been 8 per cent on a very conservative cash capital, making an average return to the stockholder of less than 4½ per cent. During 1908 no dividend has been paid. The position of the Aluminum Company of America is due not to combination, control of raw materials, etc., but to meritorious patents, the chief ones of which have been taken out by its officials and have been adjudicated by the

Digitized by Google

United States courts. These patents have in the main expired and will all expire within a few months.

There is no general demand for a reduction in aluminum tariff. It can be confidently stated that the aluminum consumers in this country are satisfied with the price of aluminum and progress of the industry. The only efforts for a reduction in tariff are made by the foreign manufacturers and the metal brokers in this country who represent them.

Aluminum is a concentrated product, and at slight cost can be moved from one market to another. The cost of its manufacture is directly or indirectly very largely labor, much more so than of any other metal. The wages paid in its manufacture are three times those paid by foreign producers. To utilize the mines and water powers in this country long freight hauls are necessary, while the reverse is true abroad. The raw materials required pay a duty. Foreign producers are protected by a prohibitive tariff and can and do invade this market with surplus product at rates impossible to meet without the tariff, and they throw into this market their scrap. The profit of the business has been only ordinary and there is no demand from the United States consumers for a reduction in tariff.

Some of the facts and figures given can be tabulated as follows:

Comparative rates paid for labor in manufacture of aluminum.

	Common labor.			Furnace men.			Dynamo tenders and power-house men.		
	Rate per day.	Hours per day.	Cents per hour.	Rate per day.	Hours per day.	Cents per hour.	Rate per day.	Hours per day.	Cents per hour.
France	$0.75	10	7½	$0.90	12	7½	$1.10	12	9⅙
United States	1.50	10	15	2.00	8	25	2.50	8	31¼

Distance from mines to plant, France, 150 miles; United States, 1,489 miles.

Number of men employed directly by Aluminum Company of America in the manufacture and fabrication of aluminum (1907), 5,000.

ALUMINUM COMPANY OF AMERICA,
ARTHUR V. DAVIS, *General Manager.*

PITTSBURG, PA., *November 30, 1908.*

Hon. SERENO E. PAYNE,
Chairman of Committee on Ways and Means,
Washington, D. C.

DEAR SIR: We append this letter to the above brief to answer the question regarding the aluminum exports of 1906 and 1907 asked by Mr. Cockran at the November 27 hearing and which we were at the moment unable to answer.

Our export sales aggregated in 1906 only 103,774 pounds and in 1907 92,972 pounds, composed entirely of small and isolated lots shipped mostly to Canada and South America, and 70 per cent of which was special rolled or otherwise fabricated forms.

We rolled into rods for the Northern Aluminum Company (Limited), of Canada, in 1906, 819,455 pounds and in 1907 231,066 pounds. The

Digitized by Google

Northern Aluminum Company (Limited) was organized to manufacture aluminum under our patented process in Canada and is controlled by us. The ingot used in rolling the above-mentioned rods was manufactured in Canada by the Northern Aluminum Company (Limited), and the rods were reexported under the United States drawback regulations.

While the above exports do not account for the total exports given in the United States Treasury report quoted by Mr. Cockran, the balance of such exports must have been manufactures of aluminum fabricated in this country and concerning which we know nothing.

Yours, very truly,

ALUMINUM COMPANY OF AMERICA,
ARTHUR V. DAVIS, *General Manager.*

THE H. H. FRANKLIN MANUFACTURING COMPANY, SYRACUSE, N. Y., THINKS ALUMINUM DUTY SHOULD BE REMOVED.

SYRACUSE, N. Y., U. S. A., *December 8, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR SIR: As large users of aluminum we are interested in the tariff upon this article.

Our experience in purchasing aluminum leads us to conclude that the production and sale of this article in this country is largely a monopoly, while the methods of production allow the article to be produced more cheaply in this country than in any other; in fact, so cheaply that to some extent aluminum is exported to some European countries.

In view of the above, it is our opinion that the present duty of 8 cents per pound upon aluminum is a burden upon the consumer that should be removed.

The aluminum used by us is mainly purchased of the Aluminum Company of America, which has its office at New Kensington, Pa., with factories and branches in other parts of the country.

We ask that your committee fully investigate the matter of tariff upon aluminum and place upon it such a duty as will give proper consideration to the consumers of that article in this country.

Yours, truly,

H. H. FRANKLIN MFG. CO.,
H. H. FRANKLIN, *President.*

THE H. H. FRANKLIN MANUFACTURING COMPANY, SYRACUSE, N. Y., SUBMITS ADDITIONAL INFORMATION RELATIVE TO ALUMINUM AND ITS PRICES.

SYRACUSE, N. Y., *December 10, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
House of Representatives.

DEAR SIR: Supplementing our letter to you of the 7th instant, requesting that the duty on aluminum be either entirely removed or

Digitized by Google

lowered, we call your attention to the inclosed clipping taken from the American Metal Market and Daily Iron and Steel Report of December 9, 1908, which in our opinion gives a fair presentation of the situation in this country at the present time in regard to the subject of aluminum, and may assist your committee in determining what should be a fair duty upon this product.

Yours, truly,

H. H. FRANKLIN MANUFACTURING COMPANY,
H. H. FRANKLIN, *President.*

THE DROP IN THE PRICE OF ALUMINUM.

[American Metal Market and Daily Iron and Steel Report, December 9, 1908.]

The price of aluminum has now dropped to an extent which reminds one of the slump in copper last year. The stage of the aluminum tragedy has been in Europe. In this country the Bradley internal heating patent decision of five years ago, which was against the Aluminum Company of America (at that time named the Pittsburg Reduction Company), became a blessing in disguise for this company, since after having made arrangements with the owners of the Bradley patent they were able to maintain their monopoly in this country under the protection of the Bradley patent, after the expiration, in 1906, of the fundamental Hall patents for the electrotype. The Bradley patent will run out during 1909; until its expiration the Aluminum Company of America is protected as sole producer in this country. The situation has been different in Europe. Stability in production and prices has been maintained there in the past by a firm agreement between the different producers, the so-called international aluminum syndicate, formed in 1901. The objects were to establish distinct spheres of interest and stable prices. For a number of years the syndicate succeeded admirably. But, naturally, as a result of no further protection being obtained by patents in Europe, competition started. Several new works—some quite large ones—were erected by outsiders, and the fight began, with the natural consequences. A great factor in this fight was the decline of the demand for aluminum, especially by the automobile industry, on account of the financial and industrial crisis last year. The last result which we reported in our last issue was the dissolution of the syndicate agreement on October 1, and the final slump in prices began. The prices of ingots in London is now between £65 and £75 per ton, which is equivalent to 15 to 17 cents per pound. On account of the protective duty, the price in this country is about 25 cents per pound. Though in this European war this country has been only an onlooker, the reaction has been distinctly felt here. The monopoly in this country had to yield, since imports from Europe threatened, and 25-cent aluminum means a great change indeed from the former steady price above 40 cents.

It is questionable whether the price will remain as low as it is at present It seems quite certain that some of the European plants are now forced to sell aluminum below self-cost (if self-cost includes interest on capital, depreciation, etc.). The aluminum industry has always been carried on with greatest secrecy. Nevertheless, the cost of producing aluminum has been estimated to be something like 15 or 16 cents a pound, but the exact meaning of "cost" in these estimates is very doubtful. On the best authority which we have in a special case, the cost, including everything, figured out as only very slightly less than 16 cents per pound in a proposed French mountain plant (which was not erected, but was figured out with greatest care), the cost of electric power being in this case about $8 per hp-year. This was under very favorable condition of supply of raw materials and electric power. There is no such cheap electric power available for prospective aluminum makers in this country. As a matter of fact, the present situation in the aluminum industry is not very attractive for outsiders to start competition with the present sole producer after the expiration of the Bradley patents in 1909. We may expect fluctuations of the price of aluminum in the near future. The price may finally rise again, but it seems certain that it can never return to the old figures of two years ago. Aluminum appears to have come down for good to a price com-

Digitized by Google

parable with copper; there is very little difference now in the London price quotations for copper and aluminum. The net result will be the use of aluminum for many purposes to which it is very well suited, while the former high prices were prohibitive. (Electro-chemical and Metallurgical Industry.)

BISMUTH.

[Paragraph 495.]

THE MONSANTO CHEMICAL WORKS, ST. LOUIS, MO., ADVOCATES THE PLACING OF A DUTY ON BISMUTH.

ST. LOUIS, MO., *November 18, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.:

We quote from "The production of bismuth," by C. C. Schnatterbeck, published by the United States Geological Survey, 1906:

Interesting features in the bismuth industry in 1905 have been the shipment of ore from a new deposit in California, the resumption of mining on the famous Ballard property in Colorado, and the reduction in the combination's price of the metal in London from 10 shillings ($2.43) to 5 shillings ($1.22) per pound. The combination thus reduced its price 50 per cent in 1905. At 5 shillings per pound in London the cost in Philadelphia is about $1.28. More attention has also been given to the development of the deposits in Saxony, the most important in the world, as well as to those in Austria, Bolivia, and Australia. For years the world's consumption of bismuth has been met by the celebrated mines in Saxony, where it occurs chiefly at Schneeberg, in the veins which are worked for cobalt ores, and at Altenberg, where the metal is found associated with cassiterite. Quantities of bismuth are also produced as a by-product in smelting lead bullion at Freiberg, Germany. In Austria the principal sources of supply are the gold, silver, and tin bearing ores in Bohemia, where bismuth is also recovered as a by-product in the preparation of uranium oxide at Joachimthal. In Australia bismuth is widely distributed, being associated principally with tin, copper, and iron pyrite, and with the noble metals, notably in New South Wales and Queensland.

Recently there has been developed in Tasmania and New Zealand what is believed to be an enormous deposit of tin-bismuth-copper ore. Bolivia has long been known as a source of supply of bismuth, the metal occurring with tin, gold, and silver ores, especially at Tasna and Chorolque. Mexico also has deposits of bismuth, which may be developed to a greater extent in the near future. In France bismuth has been discovered in quantity with wolfram, pyrite, and phosphatic minerals at Meymac. The Cornwall, England, tin and copper mines have also produced bismuth in small quantity.

Little progress is shown in the consumption of bismuth, and only when an extraordinary demand arises, as during the Russo-Japanese war, when bismuth compounds were used for medicinal and surgical purposes, does the trade awaken to the possibilities of expansion. In the United States the consumption of metallic bismuth in 1905 was between 175,000 and 200,000 pounds. Most of this was imported free of duty. Small quantities of bismuth salts for chemical and pharmaceutical purposes have also been imported. It is a fact worthy of note that the import trade has grown over 50 per cent in the last ten years, while the bismuth-mining industry in this country has shown comparatively little progress. This is not because there is a scarcity of bismuth-bearing deposits in the United States, as they have been found in Colorado, California, Nevada, Arizona, and Utah, but it is rather the result of inadequate methods of smelting the metal here. The refined bismuth imported from Great Britain and Germany frequently analyzes over 96 per cent in purity, while crude metal will be 93 to 96 per cent, having as impurities antimony and arsenic or other metals.

Mining for bismuth in the United States is at present centered in Leadville, Colo., where the newly incorporated Ballard Consolidated Mining and Milling

Digitized by Google

Company resumed shipments June 1, 1905, from the properties that have heretofore been owned and leased by individuals. The new deposit in California, which early in the year shipped 20 or 30 tons of ore, is situated 55 miles east of Banning. Of late there has been a good inquiry in the market for bismuth sulphide ore, and it would not be surprising if in the near future the metal would be recovered from the immense placer dumps of schirmerite (containing bismuth, silver, lead, and sulphur) in Montana and other Western States.

Bismuth metal has been given very little attention by American metal producers, possibly due to lack of information, by reason of its close control by the foreign syndicates—English and German, who work in unison—not only of the world's production, but also of its consumption. The facts are the Saxon Government controlled bismuth until 1872, when large shipments were made to England from Bolivia, the result of which brought the price down to 2s. 6d. (62 cents) per pound. The fight for the market continued for three years—the Bolivian output becoming more and more important—the Saxons finally concluding they must treat with the English representatives of the Bolivian mines. The result was an agreement to grant the English firm the American, French, and English markets, the Saxons to supply the rest of the world, and this agreement and control by this syndicate has continued to the present day. The output from Bolivia for the year 1906 was 1,307,031 pounds, according to the report of Mr. W. B. Sorsby, the American consul at La Paz, all of which went to England. The consumption of bismuth in the United States is now approximately 225,000 pounds annually, the exact figures of the Treasury Department being 243,926 pounds imported into the United States during the fiscal year ending June 30, 1906, at a valuation of $378,562, and 215,647 pounds during the fiscal year ending June 30, 1907, at a valuation of $262,775. The United States Government does not derive a dollar's revenue at the present time from the importation of this important metal, nor does anyone else in the United States, for that matter, all the benefits of its present consumption going to foreign countries.

In the year 1905 the Monsanto Chemical Works, of St. Louis, decided to take up bismuth and installed a plant at a cost of about $20,000, exclusively for separating and refining of bismuth. When the European syndicate became aware of this, they lowered the price from 9 shillings ($2.20) per pound, the price ruling at that time, to 5 shillings ($1.22) per pound, about 45 per cent, as confirmed by Mr. Schnatterbeck in the first paragraph of this brief, and not only did they do this, but went so far as to caution the American buyers that if they bought bismuth from other sources than themselves or encouraged the production of bismuth in this country, they—the buyers—might find difficulty in buying from them at favorable prices, should occasion arise in the future which might make it necessary to call on them again for supplies. Monsanto continued to operate the plant, however, for a little over a year, but were then compelled to shut down, and this plant is now idle, although the syndicate did subsequently advance the price 1s. 6d. (37 cents) per pound, the price now being 6s. 6d. ($1.59) per pound.

The owners of bismuth mines in the United States are not warranted in working their properties for bismuth ore under present conditions, having no assurance of value, as the syndicate raises or lowers the price of bismuth at will, and the bismuth ores in this country carry but little other value. We are confident that if the following changes suggested herewith be made in the tariff it would result im-

Digitized by Google

mediately in an increased interest in the development of the American bismuth mines, as well as tend to bring shipments of bullion and ores from Mexico and the South American countries to the United States for refining.

Bismuth metal is now used to some extent in the arts, i. e., for the manufacture of soft solder, in combination with lead, tin, and antimony for an alloy of low melting point, especially desired in automatic sprinkling heads used with the automatic sprinkling system, now so generally installed in most large commercial and factory buildings.

The bismuth salts are also in quite large demand. The oxychloride is largely used in face powders, and the nitrate for cosmetics. The oxide is used to a small extent in making porcelain colors, while the subnitrate and other unenumerated salts are used for medicinal purposes.

In view of the foregoing, we trust you will see the correctness of our request for the following suggested modifications of the present tariff:

Paragraph 629: Insert "bismuth" after "silver," to make the paragraph read:

Ores of gold, silver, bismuth, copper, or nickel, and nickel matte; sweepings of gold and silver, free.

Paragraph 182: After "lead bullion or base bullion" insert "containing over 95 per cent of lead," to make the paragraph read:

Lead dross, lead bullion, or base bullion containing over 95 per cent of lead, lead in pigs, etc., 2⅛ cents per pound.

New paragraph:

Lead bullion or base bullion containing 95 per cent lead or less, 2⅛ cents per pound on the lead contained therein: *Provided*, That in levying and collecting the duty on lead, duty shall also be levied and collected on any other dutiable material contained therein.

In explanation of the request for the two preceding paragraphs, the Monsanto Chemical Works imported several shipments of bullion from Mexico for separation and refining, principally for the bismuth contained in this bullion, the assay of which was from 12 to 16 per cent bismuth, 78 to 82 per cent lead, and appreciable quantities of gold and silver; the bismuth, however, being of chief value, approximately 75 per cent of the total value. The Board of Appraisers classified these shipments under paragraph 182 "lead or base bullion" and assessed the rate of 2⅛ cents per pound on the total weight of the bullion, including the bismuth, gold, and silver, all of which are now free, the importers being compelled to pay 2⅛ cents per pound on these free metals under that paragraph. We repeat from Treasury decision 28202:

* * * Under the previous tariff act the claim of the importer as to the assessment of duty on the actual weight of the lead contained in bullion would merit consideration under the present act. However, in view of the specific provision for lead or base bullion, we find that the merchandise the subject of this protest is dutiable as assessed under paragraph 182 at its actual weight and without deduction for the weight of the nondutiable metals contained in such base bullion.

Paragraph 495: Bismuth (free) change to read:

Bismuth metal unrefined and of less than 75 per cent purity, free: *Provided*, That duty shall be levied and collected on any other dutiable material contained therein.

Digitized by Google

New paragraph:

Bismuth, bismuth alloys, or bullion containing 75 per cent or over of bismuth metal, 50 cents per pound for bismuth contained therein: *Provided*, That in levying and collecting the duty on bismuth duty shall also be levied and collected on any other dutiable material contained therein.

New paragraph:

Bismuth oxychloride, and all salts of bismuth, $1 per pound.

Respectfully submitted.

MONSANTO CHEMICAL WORKS,
Per JNO. F. QUEENY, *President*.

BRONZE POWDER.

[Paragraph 175.]

THE AMERICAN BRONZE POWDER MANUFACTURING COMPANY, NEW YORK CITY, URGES RETENTION OF THE PRESENT DUTY ON BRONZE POWDER.

NEW YORK CITY,
132 Church street, November 25, 1908

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR SIR: I represent the American producers of bronze powder, covered by section 175 of the tariff act of 1897, which reads as follows:

175. Bronze powder, twelve cents per pound; bronze or Dutch metal or aluminum, in leaf, six cents per package of one hundred leaves.

If any changes are to be made in the present tariff, in behalf of all manufacturers of this product in the United States I recommend that the paragraph as amended read as follows:

175. Bronze powder, fifteen cents per pound; bronze or Dutch metal or aluminum, in leaf, six cents per package of one hundred leaves.

This is an increase of 3 cents a pound on the present tariff, and we recommend this increase for the following reasons:

A protective tariff was placed upon our product by the McKinley bill of 1890 of 12 cents a pound, and it was continued by the Dingley tariff of 1897. Before the McKinley tariff was passed practically all of the bronze powders consumed in this country were imported, and only two small factories existed. To-day we have five factories producing bronze powders, and we produce about one-half of the bronze powder consumed in the United States.

That the present rate is not prohibitive is illustrated by the fact that German bronze powder manufacturers export to this country the merchandise to the amount in value of over $1,000,000 a year, and we produce about the same amount in quantity and value. There is no combination among the American manufacturers as to the control of prices or output.

The present rate or duty is not opposed by the leading importers of the article.

Digitized by Google

During the development of this industry, since 1890, the price of bronze powder, which is produced from copper and zinc, has been reduced to the consumer by 50 per cent.

Germany is our greatest competitor, and we ask for an increase in duty purely on account of the difference in wages between the United States and Germany. Wages paid in the United States average over 100 per cent more than the wages paid in this industry in Germany.

Difference in wages and insurance paid in Germany and the United States in the bronze powder industry.

[Per week.]

	German wages.		United States wages.
	Marks.	U. S. equivalent.	
Superintendent	40	$9.60	$45.00
Engineer	30	7.20	15.00
Fireman	20	4.80	10.00
Grinding room average	20	4.80	10.00
Stamping room average	20	4.80	12.00
Sifting and dusting room average	20	4.80	10.00
Polishing room average	20	4.80	11.00
Coloring room average	20	4.80	12.00
Packing room average	12	2.88	6.00
Driver	20	4.80	12.00
Watchman	20	4.80	10.00

Insurance per $1,000:

German	$3.50
United States	17.50

The investment of capital in a bronze powder factory in the United States is about 75 per cent more than in Germany.

The machinery used for the manufacturing of bronze powder is very expensive and must be made of the very best material; as the wear and tear is very great it necessitates a very great amount of repairing continually and is very expensive as compared with Germany. The German machinist in this particular line gets an average of 30 marks, or $7.20 per week, while we pay in this country $4 per day, or $24 per week.

We desire a specific rate on bronze powder, as an ad valorem rate will open the way for undervaluation.

Respectfully submitted.

AMERICAN BRONZE POWDER MFG. CO.,
HENRY AHLBORN, *President.*

ALBERT H. WASHBURN, OF NEW YORK CITY, ASKS FOR AN AD VALOREM DUTY ON BRONZE POWDER.

FRIDAY, *November 27, 1908.*

The CHAIRMAN. You may proceed, Mr. Washburn.

Mr. WASHBURN. We respectfully ask for a revision of paragraph 175 of the present law providing for bronze powder at 12 cents per pound, which shall be more in accordance with what we believe to be the real intent of Congress. The present rate of duty is a reenactment of paragraph 190 of the McKinley Act of 1890. At that time a spe-

Digitized by Google

cific duty at 12 cents per pound upon bronze powder was a much lower rate than at present. The price of bronze powder has dropped greatly not only since 1890, but also since 1897. This is due largely to improved methods of manufacture, which have greatly lowered the cost of production. The present rate of 12 cents per pound represents a much higher equivalent ad valorem rate to-day, in 1908, than it did in 1890, when the rate was first imposed, or 1897, when it was reimposed. The cheaper grades of bronze powder, which are largely in demand by wall-paper manufacturers, as raw material, are worth abroad from 16 to 19 cents per pound. The cost to land them in New York, duty paid, is about 30 cents a pound, which is about 5 cents higher than the price of the domestic product of the same grade and quality. In other words, the domestic producer of the cheaper grades of bronze powder is receiving a protection which is equivalent to about 65 or 70 per cent upon an article the raw material for which comes in free of duty. This raw material—clippings—is so far advanced toward bronze powder that it requires but little manipulation to produce the finished product. This gives employment to but a handful of men at the most, and the home industry is therefore of a very limited character.

Under the law as it now stands only the better and more expensive grades of bronze powder are now imported in substantial quantities, the importation of the cheapest grades having been reduced to a minimum. We ask for the same treatment for the lower grades which the law accords to the more expensive. We believe that this committee's information will show that the present rate expressed in equivalent terms of ad valorem upon the grades which can now be imported under the present tariff is not much, if any, in excess of 30 per cent ad valorem. We would suggest, therefore, that this ad valorem rate of 30 per cent be substituted in lieu of the present specific rate of 12 cents per pound. This is the rate imposed by the present act upon the highest grades of colors and paints, and inasmuch as bronze powder is used as a coloring or golding material, an ad valorem rate not exceeding 30 per cent upon the higher and lower grades alike would be more in harmony with the policy of Congress with reference to this sort of material. It is worthy of note that paragraph 196 of the act of 1883 provided, as we are advised, an ad valorem rate of duty of 15 per cent upon bronze powder. We suggest in lieu of the present provision for "bronze powder, 12 cents per pound," the following: "Bronze powder, and flitters, 30 per cent ad valorem."

This is signed by F. Riessner and A. Gartoum & Co.

Mr. CLARK. What is it you want?

Mr. WASHBURN. The same treatment for the lower grades of bronze powder which the law now grants to the higher grades.

Mr. CLARK. Do you want the tariff reduced?

Mr. WASHBURN. We would be content to have the present specific rate of 12 cents a pound expressed in terms of ad valorem. Mr. Dalzell has stated that upon the grades now imported the equivalent ad valorem rate is 32 per cent. Under the present act the bronze powder which is imported is chiefly that of the higher grades—that is to say, bronze powder which is worth from 37 cents a pound, a mark and a half a pound, upward. That is equivalent to an ad valorem rate of 30 per cent or even less upon that grade, while the other pays 37

Digitized by Google

cents or 40 cents. The cheaper grades of bronze powder, which are much in demand by wall-paper manufacturers as their raw material, costs in the foreign market from 16 to 19 cents a pound. If you add to that the duty of 12 cents a pound and the cost of freight, it means a cost landed in New York of about 30 cents a pound.

Mr. CLARK. I understand that. Where is the hitch about it?

Mr. WASHBURN. The hitch is that the people who want to handle the lower grades of bronze powder have to pay a duty of about 65 or 70 per cent a pound.

Mr. CLARK. That is, you are complaining about the specific duty?

Mr. WASHBURN. It is much too high on the lower grades.

Mr. CLARK. Suppose we cut it down?

Mr. WASHBURN. We should be very happy to have it cut down.

Mr. CLARK. How much of this stuff is brought into the United States now?

Mr. WASHBURN. Almost none of the lower grades; it can not be imported.

Mr. DALZELL. One million five hundred thousand pounds?

Mr. WASHBURN. Yes, sir; but that is largely made up of the higher grade of bronze powder. The lower grades can not be imported, because it costs, as I stated a moment ago, 30 cents a pound landed in New York, and the domestic bronze powder of the lower grade is sold in the domestic market for 25 or 26 cents a pound.

Mr. CLARK. You want a change from the specific to an ad valorem duty?

Mr. WASHBURN. Yes, sir.

Mr. CLARK. You would not care whether it was cut down one-half or not?

Mr. WASHBURN. We would be very happy if it was.

Mr. CLARK. Are you an importer?

Mr. WASHBURN. Yes, sir; I represent importers.

Mr. DALZELL. What was the consumption last year, in pounds?

Mr. WASHBURN. I do not know. It is largely of the lower grade.

Mr. DALZELL. You have not any idea what the percentage of importations in the United States were to the total consumption?

Mr. WASHBURN. No; I have not. I think I can ascertain that. I do know, as you stated a moment ago, that about 1,500,000 pounds were imported of the higher grades almost entirely.

Mr. DALZELL. But you have no idea what the total consumption was?

Mr. WASHBURN. No, sir.

Mr. DALZELL. And can not state the amount approximately?

Mr. WASHBURN. No, sir; I will try to ascertain that.

Mr. CLARK. How many people are manufacturing this stuff in America?

Mr. WASHBURN. Only two or three concerns, which give employment to a very limited number of people.

Mr. BOUTELL. Did you add any words to the present section?

Mr. WASHBURN. I suggested "and flitters."

Mr. BOUTELL. You ask for a duty of 30 per cent ad valorem?

Mr. WASHBURN. Yes, sir.

Mr. BOUTELL. I notice that the last tariff act—the Wilson bill—fixed a duty of 40 per cent ad valorem on bronze powder, metallics, or flitters?

Digitized by Google

Mr. WASHBURN. Precisely. Those are mostly grades of bronze powder.

Mr. BOUTELL. You want to return to that same wording, making the duty 30 per cent instead of 40 per cent?

Mr. WASHBURN. Yes, sir; making the duty 30 per cent instead of 40 per cent. That rate of duty—30 per cent—is the rate now imposed by the Dingley Act upon colors, and this is a coloring or gilding material.

COPPER, LEAD, AND ZINC.

[Paragraphs 176, 181, 192, and 514.]

L. VOGELSTEIN & CO., NEW YORK CITY, SUBMIT BRIEF RELATIVE TO CRUDE MATERIALS FOR REFINING.

NEW YORK, *November 12, 1908.*

SERENO E. PAYNE, M. C.,
Committee on Ways and Means,
Washington, D. C.

DEAR SIR: Our Mr. L. Vogelstein a few weeks ago had the pleasure of calling on the Hon. E. J. Hill, of your committee, and discussed with him a few questions in regard to the metal schedules of the proposed tariff, and upon the suggestion of Mr. Hill we take the liberty of submitting our views for the consideration of your committee. We have prepared arguments on the various schedules in which we are interested, as per memoranda attached.

In order to explain our position in regard to these matters, we beg to say that we are dealers in metals and ores, are importing and exporting same, and doing a domestic business. We are also interested financially in various enterprises in this country having to do with the metal trades, principally in the United States Metals Refining Company, with plants at Chrome, N. J., and Grasselli, Ind., the former being one of the largest copper smelting and refining plants on the Atlantic seaboard, and is, owing to its location, dependent to a great extent upon importations of ores from all parts of the world. These ores, or mattes, or regulus, or copper bullion, are being refined in this country, and the resultant product in part or whole exported. The Chrome plant is confined to copper, silver, and gold refining. The Grasselli plant is a lead-silver-gold refinery, which at the present time, and since it started, has only handled domestic bullion. Furthermore, we are interested in the American Zinc, Lead and Smelting Company, which owns zinc mines near Carterville, Mo., in the so-called "Joplin district;" also gas lands and zinc smelters at Caney and Dearing, Kans., near the Oklahoma border, and zinc mines near Platteville, Wis., in the Wisconsin zinc-mining district. This company is a producer of zinc ores as well as a buyer of ores for smelting purposes, and a seller of the refined product—spelter.

From the above you will observe our interest in the tariff question is purely in connection with crude materials which are adapted for refining, necessitating the employment of labor to produce the finished metals, which are either sold in this country or exported.

Digitized by Google

As to the duties which shall be imposed, we are not interested other than to ask that the difference between labor costs in this country and abroad shall be protected by such margin between rates on raw materials and manufactured goods as will suffice for that purpose, and incidentally we trust that all duties may be so levied that while producing necessary revenue they will hamper as little as possible international trade and commerce. It is also important that all schedules should be clearly defined, that we may calculate the possibility of doing business with foreign countries without running undue risks. We do not argue on the point of raising or reducing any existing duties.

ZINC ORES.

We take the liberty of inserting here copy of an editorial from the Engineering and Mining Journal of August 22, 1908, which may be of interest to your committee:

A subject that is especially engaging attention in the Joplin district is the organization of an effort to secure the imposition of a tariff on zinc ore at the next session of Congress. In several of the towns of the district zinc ore tariff clubs are being formed. The purpose is to effect the exclusion of Mexican ore and thereby elevate the price of American ore by reducing the supply that heretofore has been available to the smelters.

It is obvious that such an arbitrary restriction of ore supply would increase the price of domestic spelter within certain limits, and would correspondingly increase the price of domestic zinc ore. The bill would be paid by the consumers of spelter. During the last twelve months this scheme would not have worked successfully, because the consumers have not wanted to buy much spelter, and the offering of the metal at comparatively low prices has not prevented the accumulation of a large unsold stock, which still exists. However, under the stimulus of a revival in business, a restriction of the output would naturally have the effect of advancing the price more rapidly and higher than otherwise. But there would be a limit to such an advance at the point where it would become profitable to import spelter and at the point where many consumers would be led to abandon the use of zinc and employ cheaper substitutes.

We further wish to point out that according to the Geological Survey report for 1906 the total production of zinc ores in the United States was 471,696 tons and the total production of spelter was 224,770 tons. Assuming 50 per cent as the average metal contents of zinc ore produced in this country, it will be apparent that the production of zinc ore in the United States is insufficient for the manufacture of spelter (only about 85 per cent of the contents of an ore is recoverable in the production of spelter). The Joplin miners contend that they can not produce zinc ore at the present time at a profit. This statement is only partly true, and the question really simmers down to whether tariff protection shall be extended beyond the limits of the original idea of developing infant industries and be caused to support industries once conducted under favorable conditions that have now become less profitable because the richest resources have been exhausted.

We have had for many years a tariff on spelter, which was 1¾ cents per pound under the McKinley Act, 1 cent per pound under the Wilson Act, and is 1½ cents per pound under the Dingley Act. There was no duty on zinc ores under any of these tariff acts, although of late there has been a contest as to whether zinc ores are dutiable or not. At any rate, the effect of this tariff has been to make the

Digitized by Google

American price of spelter to a considerable extent independent of the European price, although there has been at times an intimate relation between the foreign and domestic prices because of the ability of American producers to export spelter at a profit under certain conditions, but the importations of spelter into the United States have been entirely checked, with the exception of special brands for specific purposes.

Average annual price of spelter in New York and London reduced to cents per pound.

Year.	New York.	London.	Year.	New York.	London.
1891	5.02	5.049	1900	4.39	4.407
1892	4.63	4.527	1901	4.07	3.702
1893	4.075	3.783	1902	4.84	4.321
1894	3.52	3.359	1903	5.4	4.56
1895	3.68	3.175	1904	5.1	4.913
1896	3.94	3.608	1905	5.882	5.529
1897	4.12	3.803	1906	6.198	5.869
1898	4.57	4.443	1907	5.962	5.168
1899	5.75	5.405			

The effect of the tariff on spelter has been to create a slightly higher level, although not very much higher, of prices in the United States than in Europe. The reason why there has not been a greater difference is, that it costs about as much to produce spelter from ores in Europe as it costs in the United States. In general, the material treated by the zinc smelter is a concentrated product, the cost of producing which is governed chiefly by the tenor of zinc in ore raised from the mines. The latter varies widely. But irrespective of labor cost in producing ore in Europe, it should be pointed out that a large part of the ore now worked by European zinc smelters is imported by them from Broken Hill, Australia, where the wages for labor are as high as in American mining districts. In smelting there is no material difference between the cost in Europe and America. There are important differences among the costs of various smelters in each Continent, but if it were possible to obtain general averages, it is probable that the figures would be approximately equal. The labor cost in smelting in Europe is less than in America, but the cost for fuel is more; the advantage of Europe in labor just about offsets the advantage of the United States in fuel. (See report of the Canadian Zinc Commission, pp. 28–33).

The advantage of duty on zinc ores has been entirely pocketed by the mining industry, while the smelting industry has not been getting any higher returns than they do in Europe. The usual formula on which zinc ores are being purchased in Europe is as follows:

95% P. (T–8)—60/–. P represents the quotation for spelter in London; T represents the percentage of zinc contents, and 60/– is the treatment rate, which will vary from time to time, according to the needs of the smelters, but may be accepted as the general average over a number of years. Figuring the price of zinc ore in Joplin on the basis of this formula, but taking instead of London prices the St. Louis spelter price, the following table will show what the Joplin

Digitized by Google

smelters would have received on the European formula and what they actually did receive on a certain number of dates:

Date.	St. Louis spelter price per pound.	60 per cent ore on European formula.	Joplin base price for 60 per cent.
July 11, 1908	4.2875	$29.34	$34-36
July 25, 1908	4.375	30.20	33-36
August 22, 1908	4.525	31.69	36-37
September 5, 1908	4.575	32.18	37
September 26, 1908	4.625	32.67	37.50
October 3, 1908	4.625	32.67	38

The smelting industry neither asks nor gets any protection and theoretically, the smelting industry would be as well off without any duty on zinc ore if it were not for the fact that the mining industry seems to need the duty so badly that should spelter be allowed to enter this country free of duty the price of ore would be decreased to a point where the mining industry might be crippled.

The present tariff does not provide specifically for zinc ore except under paragraph 514, which provides that calamine shall be free. It appears that calamine has been free of duty, according to the tariff act of May 2, 1792. A duty was placed on calamine on July 30, 1846, but on March 2, 1861, calamine was again put on the free list, where it has remained in every subsequent tariff. The Secretary of the Treasury made an arbitrary interpretation of what calamine is called, and an enormous amount of litigation has followed. (See Lead and Zinc in the United States, by Walter Renton Ingalls, 1908, pp. 346–349.)

The commercial interpretation of calamine is an oxidized zinc ore, whether connected with silica or carbon does not matter. Calamine is supposed as embracing all classes of zinc ore except blende or sulphides, which are considered a low-grade ore, and it is imported in the crude form into this country. We suggest that in the new tariff the paragraph referring to zinc ore should read "zinc ores, crude, of any kind, carbonate of, silicate of, or sulphides of, free of duty. Spelter (zinc in pig), duty 1½ cents per pound." It would be necessary to take a further precaution in the new tariff act. Zinc ores are mixed frequently with lead. This lead is a detriment to the zinc ore and practically nonrecoverable, or only recoverable in very small percentages and at a heavy expense. Under the present tariff act, paragraph 181, the various custom-houses have assessed duty not only on zinc ore at the rate of 20 per cent ad valorem (a suit is pending in regard to this assessment), but also on the lead contents of such ore on the basis of 1½ cents per pound of lead contained, on the ground that paragraph 181 provides for a duty on all lead-bearing ores. It is contrary to sound and scientific interpretation to impose a duty on lead in such ore.

In the history of the zinc industry in the United States the Joplin district, comprising mining camps in Missouri, Kansas, and Oklahoma, has been the chief source of zinc ore. The first zinc ore shipped from the Joplin district (in 1872) fetched only $3 per ton, but the price soon rose to $15. Up to 1898 the annual average price ranged from $15 to $25 per ton. As recently as 1894 it was only $17.10 per ton. Since 1901 there has been a great advance in price, the average

Digitized by Google

for 1905 having been $47.40 per ton; for 1906, $44.82 per ton, and for 1907, $44.36 per ton.

Even at the great advance in price the Joplin district has been unable to supply the domestic requirements for spelter. Since 1902 the smelters have obtained large amounts of ore from Colorado and other States west of the Rocky Mountains, and since 1903 they have imported a good deal of ore from British Columbia and Mexico, especially the latter. Statistics showing the relative amount of spelter derived from domestic and imported ore are given in the following table, the data for which are taken from the Mineral Industry, Vol. XVI. The spelter originating from imported ore is computed on the basis that 3 tons of this ore yields 1 ton of spelter, which assumption is approximately correct:

Year.	Consumption.	Production.	From foreign ore.	Imports of ore.
1905	199,254	201,748	13,500	40,725
1906	222,477	225,494	30,000	89,700
1907	222,494	249,612	37,000	109,957

The prices realized for zinc ore in the United States have been generally higher than the prices in Europe. As early as 1891 an association of the zinc miners of Missouri and Kansas sent an agent to Europe to inaugurate exportation of ore. He reported, "I could offer them (the European smelters) a vastly better quality of ore, but as to prices I could not give them any inducement." In 1901, however, some zinc ore was exported from the Joplin district, and again a year or two later, the purpose of these exports being to reduce the surplus and compel the domestic smelters to pay higher prices, but the exportation was so unprofitable that the idea was abandoned, but at the same time large exports of ore were being made from Leadville, Colo. Indeed, the zinc-smelting industry in Colorado originated in its export trade, and it was not until many thousands of tons of ore had been sent abroad that American smelters were able to oust the foreign smelters from this market. Since that time the conditions at Leadville, Colo., have become analogous to those at Joplin, Mo. In 1901 and in 1902 the producers of zinc ore at Leadville were glad to sell their concentrates as a by-product for $5 per ton f. o. b. cars. In later years they have exhausted the zinc-lead ore from which the zinc was obtained as a by-product and have been mining ore much lower in lead, of which the zinc has to be considered as the main product, and consequently has increased greatly in cost. It has been shown conclusively that even at the extraordinarily high level of prices for spelter and zinc ore prevailing in 1906 and 1907 the zinc mines of the United States can not supply sufficient spelter to meet the domestic requirements.

Up to the beginning of the commercial depression in 1907 zinc mining was being conducted profitably in the Joplin district. Since that time profits have been greatly reduced, but so they have also in many other branches of production. The demand for the establishment of conditions that will arbitrarily advance prices to or above the high level of recent years is equivalent to asking for a

Digitized by Google

bounty upon ore that has heretofore been of too low grade to pay. At present in the Joplin district ore yielding less than 3 per cent of concentrate is mined. If this district is to supply the ore that heretofore has been imported, conditions will have to be arbitrarily adjusted, perhaps so that ore yielding 2 per cent of concentrate can be mined.

It must be pointed out that even at low prices the Joplin district is a profitable one. The bulk of its ore is produced by operators on leased land, and while the operator himself may not be making any profit the owner of the land is receiving from 10 to 15 per cent of the mineral produce free of all cost. In the mining of ores so low in grade the cases are few, anywhere in the world, of a profit exceeding this 10 per cent or 15 per cent received by the fee owners of the Joplin district. Certainly before the domestic smelting industry is to be disturbed and before the consumers are to be further taxed the rates of royalty in the Joplin district should be reduced.

COPPER.

Copper ores, copper matte, and copper bullion should be free of duty, as under the present tariff. There is no argument necessary, and we do not suppose anybody will demand a duty on copper ore. We can treat copper ore cheaper in this country than anywhere else, and we want a free market. Besides, there have been erected along the Atlantic coast copper refineries and smelters with a capacity of about 600,000 tons of copper per annum, or 80 per cent of the world's production. These plants depend largely upon imports of copper in the crude ore from foreign countries, and it would be a great hardship for American enterprise and labor if the tariff should interfere with these existing plants. Besides, we are producing more copper from mines in this country and at a lower price than all the other countries in the world taken together, and we have been exporting such large quantities of copper for the past twenty years without any tariff protection that there does not seem to be any need for it now.

It frequently happens that copper-bearing material contains also certain percentages of lead, and the rulings and decisions of the Treasury Department and customs officials in regard to this matter have been rather remarkable. While it has been ruled, as per Treasury decision 23656 (G. A. 5119), that copper regulus containing lead shall be free of duty according to paragraph 534 of the tariff and no duty be assessed on such material, collectors have assessed duty on lead contained in copper ores at the rate of 1½ cents per pound of lead contained in such ore according to paragraph 181 of the present tariff. It is contrary to all sound and scientific interpretations of the purposes of the tariff to assess duties on lead contained in copper ores and to allow the free entry of copper regulus or copper matte containing lead. Lead can not be recovered from ore more easily than from matte.

From the materials brought to a copper smelter or refinery it is impossible to recover the lead contained therein. Besides, it is an established rule that the appraisers shall classify material under one paragraph of the tariff or another, but shall not impose duties under two different paragraphs. (See also our argument on mixed ores.)

Digitized by Google

The present schedules of the tariff covering duties on copper could certainly be simplified by combining paragraphs 532 and 533 in one paragraph, reading:

Copper crude, in plates, bars, ingots, or pigs, or any other form not manufactured, or otherwise specially provided for, and composition metals, of which copper is the component material of chief value, not specifically provided for in this act, free of duty.

While paragraph 534 should be thrown together with paragraph 629.

Ores of gold, silver, copper, or mixed metal, sweepings of gold and silver, copper matte, regulus or black copper, coarse copper, or cement copper, or any smelter product, free of duty.

LEAD.

We do not take a decided stand as to a change in the present duties on lead, but would suggest that whatever change be made in this schedule the present relation shall be maintained between lead in ores and lead in bullion, because the domestic lead refineries need the protection to that extent. Paragraph 181 should be changed in the begining to read as follows:

Lead-bearing ores—i. e., ores in which lead is the component of chief value, not considering the silver and gold contents of same, etc.

No duty should be assessed on lead contained in zinc ore, in view of the fact that lead is a detriment in zinc ore and is not recoverable, and ore should be classified according to the chief component.

MIXED ORES.

As you will have seen from our arguments under zinc ores and copper ores, all ores imported into this country are impure. As a matter of fact, if the interpretation which has been given to certain tariff schedules were followed ad absurdum, it might happen that an ore containing 40 per cent iron, 10 per cent lead, 10 per cent copper, 15 per cent zinc, and balance being sulphur and silica, an enterprising collector might assess on zinc contents, on lead contents, and he might also assess duty as an iron ore, while as a matter of fact such an ore would be used as a copper ore in copper smelters and only the copper be recovered, and the other metals be lost in slag and fume. It seems to us, therefore, that it would be advisable for the protection of the industries importing ores to provide in the new tariff a paragraph reading as follows:

Mixed ores—i. e., ores containing more than one metalliferous substance shall be classified according to the component of chief value, silver and gold values to be excluded in making such classification.

It may be argued that an unscrupulous importer might mix ores in order to make them complex, but metallurgists will demonstrate that it would not be possible to again economically separate the different metals. No duty should be assessed upon any substance which can not be extracted in the ordinary commercial way.

L. VOGELSTEIN & Co.

Digitized by Google

GOLD LEAF

[Paragraph 177.]

TESTIMONY OF ROBERT E. HASTINGS, PHILADELPHIA, PA., RELATIVE TO NEW CLASSIFICATON FOR GOLD LEAF.

THURSDAY, *December 10, 1908.*

The CHAIRMAN. I understand you want to be heard about fifteen minutes on gold leaf, on Schedule C.

Mr. HASTINGS. I do not know what the schedule is. It is paragraph 177.

The CHAIRMAN. The committee has directed the chairman to administer an oath to each gentleman who appears to make his statement. You will hold up your right hand and be sworn.

(The witness was here sworn by the chairman.)

The CHAIRMAN. You may proceed.

Mr. HASTINGS. I would like to say, Mr. Chairman, that it is with much regret that we represent an industry that has to apply for an increase. It would be much more to our satisfaction if we could take the other side. We ask for this increase, not on anything visionary or any fear that something may occur, but on what actually is occurring now. With the present tariff there was no gold leaf imported of any amount up to 1904. Then the Germans, by some process unknown to us, managed to overcome the present tariff, and in 1905 there was imported $38,000 worth. That increased in 1906 to $58,000 worth, and in 1907 to $167,000 worth, and in 1908 it dropped, with the panic, to $68,000; but had that year been as good it would probably have been upward of $167,000. How they did this we do not know, but they certainly made arrangements. This brief is as complete as we could make it and is concise.

I would like to say that in 1907 the amount imported would have given employment to 437 men and women, and had the amount in 1908 increased in the same proportion, it would probably have thrown out 500 or 600 people. It is a very highly skilled industry; it takes a great deal of time to learn. A young man serves four years, and then he is not an expert workman for four years more, and according to all reason he ought to be paid as highly as the bricklayer or the carpenter, but we do not ask that. We realize we are in a position where we can only ask protection up to about a $16 wage rate. The German wages run about $6 a week. The Germans lay down these little packages in New York, and the freight amounts to nothing. I have brought one German package to show you. The freight and expressage amount to nothing. That is what they import here for $6, and it costs us $6.50 to make, so that they import that, duty paid, for $6 in this country which costs us $6.50 to make at $16 a week wage, which is certainly a very low wage rate for these skilled mechanics. The Germans pay the duty and do that.

Mr. UNDERWOOD. One thing I would like to have you explain right there that seems material on the question of whether you need an increase of duty. I see that the figures given to us state that the value of gold and silver leaf and foil produced in the United States in 1905 was $2,695,298, and that that was the product of 83 establishments, giving employment to 1,402 wage-earners. Now, the high-

Digitized by Google

est year of importations as shown by the figures before us and by your brief was 1907.

Mr. HASTINGS. Yes.

Mr. UNDERWOOD. Which was $167,263, dropping in 1908 to $68,417.

Mr. HASTINGS. That was the year of the panic, as you all know; 1908 does not count, because it was a panic year.

Mr. UNDERWOOD. Yes; I recognize that; but the year 1906 was only $58,000, so that to some extent 1907 was an abnormal year. You see, the total production in this country was over $2,500,000, and the importations in the highest year amounted to less than 5 per cent of the total.

The CHAIRMAN. Let me say in that connection that 1907 is an abnormal year for importations on almost everything in the schedules.

Mr. UNDERWOOD. Unquestionably.

Mr. HASTINGS. I think I can correct Mr. Underwood further. That figure represents the total, gathered from gold leaf and silver leaf and gold foil and everything. We are talking on gold leaf only. The gold foil which is added into that total is an entirely different industry. There is none of that imported. There is considerable of that exported.

The CHAIRMAN. This gold leaf comes in packages of 500 leaves?

Mr. HASTINGS. Yes; and gold foil is added into that.

Mr. GAINES. But the statistics we have here are on gold leaf and silver leaf.

Mr. HASTINGS. And gold foil.

Mr. UNDERWOOD. That is what I wanted you to do, to differentiate between your statement and these figures, because the figures would not indicate that the industry was being seriously competed with.

Mr. HASTINGS. Would you not consider the work of 437 men and women as amounting to anything?

The CHAIRMAN. You are speaking of paragraph 177?

Mr. HASTINGS. Yes.

The CHAIRMAN. That is gold leaf, $1.75 a package of 500 leaves?

Mr. HASTINGS. Yes.

The CHAIRMAN. These statistics we are referring to refer to gold leaf in packages of 500 leaves?

Mr. HASTINGS. Yes; and Mr. Underwood is referring to the Treasury statistics, which add in dental foil.

The CHAIRMAN. They add in what?

Mr. HASTINGS. Gold foil.

The CHAIRMAN. I do not know anything about that. I have before me the figures.

Mr. HASTINGS. No; it has nothing to do with this. You are quite right.

The CHAIRMAN. It says that the importations in 1907 were 35,000 packages, at a value of $167,000.

Mr. HASTINGS. I was only trying to correct you on these figures.

Mr. UNDERWOOD. That is all right.

Mr. HASTINGS. The Government tried to find out how much gold is used in the arts, and that includes gold leaf, silver leaf, and gold foil.

The CHAIRMAN. We have a statement here prepared for the use of the committee.

Digitized by Google

Mr. HASTINGS. I am referring to what Mr. Underwood has. That includes gold foil.

The CHAIRMAN. That includes all the manufactures of gold of that class?

Mr. HASTINGS. We have figured out that it would take 50 cents per 100 leaves to overcome the difference in wages, taking $16 a week only as our wages. To meet this new German competition we will have to reduce these men to $12 a week.

The CHAIRMAN. Have you the details of the figures here, of the cost here and abroad?

Mr. HASTINGS. We do not know anything about what they are abroad, except what they are actually now delivering it in this country for, duty paid and express or freight paid.

The CHAIRMAN. At the port of New York?

Mr. HASTINGS. At the port of New York; and, further than that, in anybody's office.

The CHAIRMAN. Have you any invoices or anything of that kind?

Mr. HASTINGS. Quotations from Germany have been placed in the hands of the clerk.

Mr. CRUMPACKER. Do you know the labor cost of a package of 500 leaves?

The CHAIRMAN. What is the price at the port of New York which your figures show?

Mr. HASTINGS. That is for the foreign, duty paid.

The CHAIRMAN. Duty paid?

Mr. HASTINGS. Yes.

The CHAIRMAN. This says $4.06, which, with the duty at $1.75, would make $5.81.

Mr. HASTINGS. Those figures are exclusive of the duty.

The CHAIRMAN. I say if you add the duty to the $4.06, the duty is $1.75, and that makes $5.81. That is according to the government reports. The year before that the price at the port of New York for 1906 was $4.72, and with the duty added it would be $6.50. The year before that it was $4.62; and so on back, about the same price. In 1896, under the Wilson bill, the duty being 30 per cent, the import price was given at $3.50. It looks like a little undervaluation at that time, but taking the average from that up until 1907, the figures on the imports at New York are about $4.50. If that is correct, it would be a full answer to your proposition.

Mr. HASTINGS. I want to show you just exactly that we are not asking an abnormal wage rate for these men. They really ought to get $20 or $22, but we realize that that would take such a duty that it would be ridiculous, and we do not want to come before you in that shape. We only want to protect those men to a $16 rate.

The CHAIRMAN. The committee had full hearings on this subject on the McKinley bill, and put the duty at $2. The Wilson bill put it at 30 per cent ad valorem, and afterwards in the Dingley bill we still had full hearings, and put it at $1.75, the present rate.

Mr. HASTINGS. But a new situation seems to have occurred in that they have met it in some way.

The CHAIRMAN. Whether that is temporary or not is another question.

Mr. HASTINGS. Oh, it is not temporary.

The CHAIRMAN. You do not present very positive proof of that.

Digitized by Google

Mr. HASTINGS. Whatever the increase should be, it does not affect the general classes. For instance, gold leaf is only used in decorative work, bookbinding, sign painting, and so forth, and the duty that we ask would make a difference on a sign costing $40 of only 25 cents. The additional duty we ask on a book like one of those before you would not be one-tenth of 1 cent for the gold leaf used on the title and binding.

The CHAIRMAN. What duty do you ask for?

Mr. HASTINGS. Fifty cents for 100 leaves.

Mr. UNDERWOOD. But there is this about it; not that it is a very large industry, but it is entitled to pay part of the revenues of the Government. What do you say about this duty making it prohibitive?

Mr. HASTINGS. I would say if you would carry your idea to the limit you would have all the mechanics of the country walking around the streets idle, and you would have all your work done in Europe for you.

The CHAIRMAN. Have you details showing how much it costs in this country to produce these packages?

Mr. HASTINGS. I do not know that I have the details, but I can give them to you.

The CHAIRMAN. You had better file a statement in connection with your evidence showing the cost of labor, and so forth, entering into the cost price of gold leaf, by the package of 500 leaves.

Mr. CRUMPACKER. I would like to have him state now, if he has it in mind, the labor cost of a pack of 500 leaves.

Mr. HASTINGS. I can tell you that.

Mr. CRUMPACKER. What is it?

Mr. HASTINGS. Two dollars and twenty-eight cents was actual wages paid to employees, not including superintendent, foremen, forewomen, refiners and melters, engineer, office force, rent, electricity, heat, etc., which the 22 cents per package added will hardly reach, making the cost as stated $6.50 per package of 500 leaves. Gold, $4; labor, $2.28; other labor as above, 22 cents; total, $6.50.

The CHAIRMAN. The $2.28 is the wages actually paid?

Mr. HASTINGS. The wages actually paid; but the wages will come down to meet the present situation. What I want to make perfectly clear is that these men must come down to $12 a week. They can not stay at $16, with this German gold coming in, under present conditions. They must come down to $12. We are trying to save them up to $16 only.

Mr. CRUMPACKER. Is the disadvantage you labor under only one of labor cost?

Mr. HASTINGS. Only.

Mr. CRUMPACKER. Is it not in improved processes of production?

Mr. HASTINGS. That is all in labor.

Mr. CRUMPACKER. It is all in labor?

Mr. HASTINGS. Yes.

Mr. CRUMPACKER. Is there a process of production that you do not have?

Mr. HASTINGS. No; except that they have little girls running around the factories at 3 marks, or 75 cents, a week, which we can not do here.

Digitized by Google

Mr. CRUMPACKER. Those little girls do not do as much as American laborers?

Mr. HASTINGS. They carry things around and do parts of the work, such as laying out the gold. We can not have them do that here. There is one reason that this industry requires protection above others. We can not make improvements in it like they have made in iron, steel, nails, and so forth. It is a slow process. The latter part of the finishing is all by hand. Of course, you can get this blow by machinery, you understand, but you would require a machine for each individual, because it can not be hurried. Therefore it does not pay to put in machinery. You would not want to take out 100 men and put in 100 machines, with a man to care for each machine. There is more of it ruined now by speed than in any other way.

Mr. UNDERWOOD. I understand it is purely hand labor, but the labor cost here is $2.28.

Mr. HASTINGS. I have learned that the work in Germany is now being done extensively by families at their homes, and if an entire family realize a net sum of $10 a week on a product of 50 packages, they are quite satisfied. This is my latest information and is very disturbing and probably explains most of the difficulty. It can be compared with the so-called sweat shops in the clothing industry and is entirely new in this product.

Mr. UNDERWOOD. And the protective duty on it to-day is $1.75. That only leaves a difference of 53 cents. Now, the labor cost in Germany must far exceed 53 cents.

Mr. HASTINGS. I am perfectly frank with you. The proposition as to the percentage of labor is absolutely ridiculous.

Mr. HILL. It is worse than ridiculous. You say you are asking for a tariff of $2.50 to protect a labor cost of $2.28. That would pay it off and give the manufacturer a bonus of 25 cents.

Mr. HASTINGS. All we can say is, we do not know how they do it, but they lay the leaf down here at $6 and it costs us $6.50 to make it.

Mr. HILL. You do not think for a moment that it is necessary to make a protection of $2.50 where the entire labor cost is only $2.28?

Mr. HASTINGS. I should say so, if their figures show what they can afford it at. The industry is doomed unless we have this. I will say to you frankly that nothing but liquidation is before us.

Mr. UNDERWOOD. Then you want the protection against some secret process or some manipulation of their business, unknown to us, outside of the labor cost entirely?

Mr. HASTINGS. It must be.

Mr. HILL. Their gold costs them just as much as yours costs you. All that is left, according to your statement, is labor, and you have asked for a protection of more than the entire labor cost.

Mr. HASTINGS. They probably beat their gold leaf, on account of the cheapness of their labor, a little thinner than we do.

Mr. CLARK. Why do you not beat yours as thin as they beat theirs?

Mr. HASTINGS. I knew that question would come. It is because in an hour you would gain about 25 cents' worth of gold, and at $16 a week it would cost you 30 cents to do it; but at the cost of labor over there they can gain 25 cents, and it costs them 6 cents to do it.

Digitized by Google

Mr. CLARK. You never did answer Mr. Hill's question when he asked you if you did not want $2.50 tariff——

Mr. HASTINGS. I think I answered him.

Mr. CLARK. Wait a minute. He asked you if you did not want $2.50 tariff where the labor cost was only $2.28; that is, you want the Government of the United States to furnish you your labor and then make you a present of the difference between $2.28 and $2.50.

Mr. HASTINGS. You can make any ridiculous proposition you want to in the matter.

Mr. CLARK. That is not ridiculous, and I did not make it.

Mr. HASTINGS. I merely say that we take the prices at which they lay the article down in this country and at which we can produce it.

Mr. CLARK. I know; but why did you not answer his question?

Mr. HASTINGS. I did. I said it was seemingly ridiculous. I thought that was a pretty fair answer.

Mr. CLARK. I think it is ridiculous, too—that is, the answer.

Mr. HILL. It is very mystifying.

Mr. HASTINGS. Do you think you can be more mystified than we are, when from 1897 to 1904 the present tariff kept this out, and in 1907 they took out the work of all these men?

Mr. HILL. Do you not know that in every industry, stretching all across the Atlantic, you will find the same statistics for 1907, and that it marks the decline of consumption, working up to the panic, in Europe, and it means the dumping of their surplus in 1907 and 1908 in the United States in almost all lines? If you want to get a fair comparison, ought we not in justice to go back to 1906, when trade was normal in both countries?

Mr. HASTINGS. Nineteen hundred and six shows a very heavy increase over 1905.

The CHAIRMAN. Nineteen hundred and six was 12,000 packages; 1905 was 8,000 packages.

Mr. HASTINGS. Gradually increasing.

The CHAIRMAN. Nineteen hundred and four was 6,000 packages; 1903 was 20,000 packages; 1902 was 35,849 packages.

Mr. CRUMPACKER. I notice the value of a package in 1907, when the heaviest importations occurred, was greater than the average value has been for ten years of the imported package.

Mr. HASTINGS. That is a different item. I was coming to that.

The CHAIRMAN. And for every year except 1907 the importing price was greater than what you say your cost is; that is, with the duty added.

Mr. HASTINGS. I was coming to that in a different way. Paragraph 177 reads: "Gold leaf, one dollar and seventy-five cents per package of five hundred leaves." There was no size mentioned.

The CHAIRMAN. There was no what?

Mr. HASTINGS. There was no size, no dimensions, mentioned. Up to the time of the passage of that act 3⅜ by 3⅜ was the size known throughout the world of gold leaf. You understand what I mean, Mr. Underwood?

Mr. UNDERWOOD. Yes.

Mr. HASTINGS. I had no intention of creating the impression that the standard size of 3⅜ by 3⅜ inches had been given up. What I

Digitized by Google

intended to explain was that they now import largely the standard size and other sizes to take advantage of no size being mentioned in act of 1897. The standard size is still 75 per cent or over of the importations; therefore, in the new bill we respectfully urge the committee to specify as requested. Fifty cents for each 100 leaves size 3⅜ by 3⅜ and larger sizes to pay duty in proportion. They import several sizes between 3⅜ by 3⅜ and 4½ by 4½, such as 4¼ by 4¼, 4 by 4¼, 3⅜ by 3⅞, and others.

The CHAIRMAN. What was it in 1907?

Mr. HASTINGS. Three and three-eighths inches by 3⅜, in 1907.

The CHAIRMAN. You mean 1897?

Mr. HASTINGS. It was 3⅜ by 3⅜. Now, the comparative duty on 4½ by 4½ gold leaf would have been $3.10, and yet the custom-house allowed it to go through at $1.75 because there was no size mentioned.

The CHAIRMAN. If that is correct, of course there might be no limit to the size, and it might be necessary for the committee to interpret the entire surface of 500 sheets of gold leaf in the package, and say "not exceeding so many cubic feet or inches."

Mr. HASTINGS. We have tried to put it before you in a different way. We ask to have that paragraph read, "Fifty cents for each one hundred leaves, size 3⅜ inches by 3⅜ inches, and larger sizes to pay additional duty in proportion."

The CHAIRMAN. We would want pretty positive evidence about the size of the leaves in 1907. When did they increase the size?

Mr. HASTINGS. They have been doing it gradually for the past six or seven years.

The CHAIRMAN. We would want positive evidence of the increase of the size from year to year of the imported leaves.

Mr. HASTINGS. I do not know that we could give you the amount from year to year, but we have prepared now an affidavit to go before Mr. Reynolds on that subject.

The CHAIRMAN. You send the committee an affidavit showing the increase of size from year to year, down to the present time, of gold leaf in the package, and make it specific. You send that to the custom-house authorities, the appraisers, and see whether it is confirmed there, and let us get a basis to see if there is justice in the claim of the increase of the size of the leaves in the package.

Mr. HILL. This 4½ by 4½ does not make as much as 3⅜ by 3⅜?

Mr. HASTINGS. There is a little increase of labor, but not very much; but the increase in the gold is very, very great.

Mr. HILL. Of course the gold would increase in proportion.

Mr. HASTINGS. You can see what they have done.

Mr. HILL. It is the first time I ever knew them to give away gold.

Mr. HASTINGS. They do not give it away. They charge for it, but they get in, at $1.75, what ought to be $3.10.

The CHAIRMAN. At the valuation at which these goods come in it would show that the size of the leaf was decreased, rather than increased, because the price has been going down, and you can not vary the price for gold. That is as fixed as anything is in this world. It is the same in Germany as it is in the United States, and the price at which they have imported has been going down from $5.08 a package in 1896 to $4.73 in 1898, down to $4.06 in 1907.

Digitized by Google

Mr. HASTINGS. I want to say, while we are very solicitous about this, we have the example of England before us. They seem to have a great liking for this business in Nuremberg and other cities in Germany. London has not a gold-leaf factory employing over 10 people. In France you find factories with 200 people. Philadelphia, my own city, has 250 to 300 people. So that we are very jealous about getting into the shape England has gotten into in this industry. We suggest a change in one particular as to other things in which we are not interested as to duty. The Dingley bill has so much per 100 leaves and so much per 500 leaves, and we merely suggest a change in paragraph 175. which reads: "Bronze or Dutch metal or aluminum, in leaf, 6 cents per package of 100 leaves." There is no such thing as a package of 100 leaves. That is suggested in order to make it uniform. We suggest leaving out the word "package." There is no change, really. Paragraph 178 reads: "Silver leaf, 75 cents per package of 500 leaves." One says a package of 100 leaves and the other a package of 500 leaves. We suggest a change, taking out the word "package" and making it read 500 leaves and 100 leaves. We say these changes will give a perfectly uniform duty for all metal in leaves.

The CHAIRMAN. What complaint have you on that? It seems to be practically prohibitive.

Mr. HASTINGS. I have no complaint. I only suggest the question whether, to make a uniform tariff, it would not be better to have the tariff so much per 100 leaves on all metals instead of having it so much per package of 100 leaves and so much per package of 500 leaves.

Mr. UNDERWOOD. It only makes it 15 cents per package of 100 leaves, which is exactly the same thing as 75 cents per package of 500, except that it lets the small package come in.

Mr. HASTINGS. We are merely interested in the gold-leaf side of it. It is merely a matter of good English.

The CHAIRMAN. It is a matter of taste.

Mr. HASTINGS. No; it is a matter of good English.

The CHAIRMAN. The English is good, but the package does not correspond with the English.

Mr. HASTINGS. The English does not correspond with the package. There is no such thing as a package of 100 leaves.

The CHAIRMAN. The English is correct, the grammatical expression.

Mr. HASTINGS. Yes; the grammar is all right, but the fact is not correct.

Mr. BOUTELL. The package preceded the English.

Mr. HASTINGS. There is no such thing known as a package of 100 leaves.

The CHAIRMAN. We understand your point on that.

Mr. HASTINGS. We only make a request that you will let us keep this industry in this country, and protect this industry to the extent of a rate of wages of $16 per week. That is all, Mr. Chairman.

Digitized by Google

BRIEF SUBMITTED BY ROBERT E. HASTINGS, PHILADELPHIA, PA., RELATIVE TO DUTY ON GOLD LEAF.

WASHINGTON, D. C., *December 10, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The tradesmen and tradeswomen engaged in manufacturing gold leaf respectfully submit that the present protection given to this article is not sufficient to procure them wages to be compared with other trades in the country, while the cost of living is just as much to them as to those receiving better wages. Within the past few years Germany has so adjusted the wages paid to mechanics (male and female) engaged in this delicate industry as to enable her manufacturers to send gold leaf largely to this country, thereby taking from those engaged in this industry a large proportion of their work, and it is requested that your committee recommend an adjustment of the tariff on this article, so as to enable those engaged in its manufacture to receive at least the wages received by those employed in other trades. It is not a prohibitive tariff that is asked of you, but merely such a one as would make the wages of this industry equal those of other trades. The Germans deliver free of all expenses gold leaf 3⅜ inches by 3⅜ inches for $6 per package of 500 leaves, including the duty of $1.75, making it net the foreign shipper $4.25, less freight and expenses. To meet this, the wages in this country would be $12 a week, which, with the increased cost of living during the past few years, would be impossible and would in time cause most of the skilled labor to leave the business and offer no inducements to young men to learn the trade. The cost of a package (500 leaves) 3⅜ inches by 3⅜ inches in this country is $6.50 for that which the Germans lay down at $6, duty paid, under the present tariff, and unless relief is granted the wages must be reduced proportionally. The Germans have in the last few years established agencies in this country, with the result that the importation of German gold leaf has up to the recent panic been regularly increasing, as shown by the following figures:

Imported year ending June 30—	
1905	$38,101
1906	58,190
1907	167,203
1908 (panic year)	68,417

These amounts represent $4.25 for each 500 leaves, as the duty is not included.

A man and woman produce in this country about 9 packages a week; therefore, the amount imported in 1907 would have given additional work to 437 men and women, thus showing the inroads being made into this industry, and it is to check this and keep American mechanics employed that we apply for relief.

We would respectfully request your recommendation in the following form:

Fifty cents per 100 leaves for gold leaf 3⅜ inches by 3⅜ inches, and larger sizes to pay additional duty in proportion.

Digitized by Google

The latter clause is very essential, as the Germans have lately been increasing the size up to 4½ inches by 4½ inches, in order to get this more valuable gold leaf under the present duty of $1.75 per 500 leaves, as a proportionate duty on this size would be $3.10.

When the present duty was under consideration, the only size imported was the standard size of 3⅜ inches by 3⅜ inches, the larger sizes being a later innovation, to take advantage of the fact that the standard size 3⅜ inches by 3⅜ inches was not specified in paragraph 177, Dingley tariff.

You are not asked to make any changes in the prevailing method of assessing duties, as the present schedule (par. 175) reads: "Bronze or Dutch metal or aluminum, in leaf, 6 cents per package of 100 leaves." If you change silver leaf (par. 178) from 75 cents per 500 leaves to 15 cents per 100 leaves, and make gold leaf (par. 177) 50 cents per 100 leaves for gold leaf 3⅜ inches by 3⅜ inches, and larger sizes to pay additional duty in proportion, then you have a perfectly uniform form of duty on all metal in leaves; namely, so much for each 100.

Whatever relief you grant this suffering industry, it is absolutely necessary to add to paragraph 177 the sentence as to larger sizes paying proportionate duties over 3⅜ inches by 3⅜ inches, the standard size. To show the absolute justice of our request figures are attached to prove that nothing less than what is asked will be adequate to maintain a $16 weekly wage rate.

The present cost at $16 per week wages is $6.50 per 500 leaves, size 3⅜ inches by 3⅜ inches.

The present German price delivered to this country is: Duty paid, $6; additional duty asked, 75 cents; total, $6.75, which will preserve the wages at $16 per week and will give the manufacturers 4 per cent. These figures are given to prove that all this is asked merely to retain the wages at $16 a week and not a prohibitive duty in any sense.

No gold leaf is exported, America not being able to sell even in Canada.

There are manufacturers of gold leaf located in eleven States.

Our recommendations are as follows:

NO CHANGE IN DUTY.

Paragraph 175 reads: "Bronze or Dutch metal or aluminum in leaf, 6 cents per package of 100 leaves." Change to read: "Six cents for each 100 leaves." Reason, 100 leaves is not a package.

Paragraph 178 reads: "Silver leaf, 75 cents per package of 500 leaves." Change to: "Fifteen cents for each 100 leaves."

CHANGE IN DUTY.

Paragraph 177 reads: "Gold leaf, $1.75 per package of 500 leaves." Change to: "Fifty cents for each 100 leaves, size 3⅜ inches by 3⅜ inches, and larger sizes to pay additional duty in proportion."

These changes will give a perfectly uniform form of duty for all metal in leaves; namely, so much for each 100 leaves.

Digitized by Google

ROBERT E. HASTINGS SUBMITS SUPPLEMENTAL STATEMENT RELATIVE TO COST OF GOLD LEAF.

PHILADELPHIA, *December 11, 1908.*

Hon. S. E. PAYNE, M. C.,
Washington, D. C.

DEAR SIR: While giving my testimony yesterday on paragraph 177, concerning gold leaf, you asked me if I could put your committee in possession of German offers of leaf, as stated by me, in answer to which request I inclose a copy of a letter lately received, offering us at $6.04 per pack. This would indicate a still less than $6 offer, as stated by me, to their own people in New York City, as they never sell us as low as they do their own agents, for the reason that we being manufacturers would not push their product, so I send it to you as requested, as it fully confirms my statement.

2. You also requested that we file with your committee an affidavit as to what has always been understood as the standard size of gold leaf and which the present act was intended to cover. I beg to inform you that this was filed before leaving the building yesterday with the secretary of your committee.

3. In stating the factory wages cost as $2.28 per pack of 500 leaves I neglected to state that this did not include such legitimate factory cost in wages as superintendent, foremen, forewomen, melters and refiners, and the office force. Of course I did not include such business expenses as rent, power, gas, electricity, fuel, engineer, etc., and the 22 cents per pack of 500 leaves, added to bring the cost up to $6.50 per pack, would not more than pay these legitimate charges. If you can kindly correct my testimony to this effect, I will esteem it a favor.

COST SUBMITTED.

Gold	$4.00
Men	1.78
Women	.50
Foremen, forewomen, melters, refiners, rent, gas, electricity, fuel, engineer, etc	.22
	6.50

NUREMBERG, *November 18, 1908.*

Messrs. HASTINGS & Co.,
Philadelphia.

DEAR SIRS: I remember with pleasure our former connections and beg to offer anew:

Best extra deep gold leaf, usual shade, standard quality, 22 carat fine.

$3\frac{3}{8}$ by $3\frac{3}{8}$ Mark 36.00 / Mark 42.50 } 2 packs of 500 leaves each,

free of sea-tight packing, free of freight, board steamer port of New York, and for quantities of at least 500 packs of 500 leaves in one case.

The lighter shade Klondyke is 0.25 marks per mille cheaper.

These prices are reduced so much that I hope you will not hesitate to favor me with regular larger orders.

Please consider my firm.

(Signed) GG. ERNST SCHAETZLER.

I certify the above to be a true copy of said letter of Mr. Gg. E. Schaetzler to Messrs. Hastings & Co., date November 18, 1908.

MARY CHERDRON.

Digitized by Google

This quotation is for the Klondyke shade, which is the shade nearest to that used in this country: 17.88 marks for each 500 leaves, which at 24 cents per mark is $4.29; duty, $1.75; total, $6.04; delivered at the port of New York, all expenses paid.

2. You will observe the quotation for an increased size, 3¾ by 3¼, at 21.25 marks per 500 leaves, which is $5.10; duty, $1.75; total, $6.85.

This size costs American manufacturers 85 cents more than the $6.50 or $7.35, hence they undersell our cost 50 cents on this size, for the reason explained by me in the testimony given yesterday, that the $1.75 is not the proper duty for the increased size. We trust we have made ourselves perfectly clear to your committee as to the injustice done both the Government and the manufacturers in this country by permitting the same duty to be charged for the increased sizes.

Yours, very truly,

ROBERT E. HASTINGS,
Chairman of Tariff Committee on Gold Leaf.

TINSEL WIRE, THREAD, AND BRAID.

[Paragraph 179]

ROBERT M. AKIN, OF OSSINING, N. Y., RECOMMENDS NEW CLASSIFICATION AND INCREASE OF FOR TINSEL WIRE.

WEDNESDAY, *November 25, 1908.*

The CHAIRMAN. Please give me your full name.

Mr. AKIN. Robert M. Akin.

The CHAIRMAN. Proceed, Mr. Akin.

Mr. AKIN. I wish to address you regarding schedule C, section 179, tinsel wire. This wire is now used in this country practically as a raw material. It is further manufactured after being brought in, and what I ask is a change in the tariff. While this change in one way does not affect the tariff, in another way it does. The change I ask is a change from 5 cents to 20 cents. The reason for that change is this: It is now 5 cents a pound——

Mr. GRIGGS. Are you making any money?

Mr. AKIN. I think so. Not on this product, however. This is an infant industry.

Mr. GRIGGS. I am talking about it as a whole.

Mr. AKIN. Yes, sir; that is why I am here. [Laughter.] On this product I want the duty changed to 20 cents a pound. The reason for asking this duty is that the wire to-day, under section 137, carries 45 per cent duty. The same wire under section 179 is called

Digitized by Google

tinsel wire, it being of the same size and being the same thing in every way with the exception that one is put on a large spool and the tinsel wire is put on a small spool. The tinsel wire carries a 5-cent duty, and the wire that is brought in under section 137 carries 45 per cent duty. That would make a difference on this wire, as an average for the last six years, of 44 cents a pound, brought in under the name of tinsel wire. That wire instead of paying 45 per cent duty has dodged the duty, and has come in under the rate of 5 cents a pound; and what I ask is that this tinsel wire now shall be brought in at an additional cost of 15 cents a pound, or 20 cents a pound, rather than 5 cents a pound, which will practically make it the same as the 45 per cent duty.

Mr. BONYNGE. Suppose we were to reduce the other to 5 cents?

Mr. AKIN. I want them put on the same basis. You can not reduce the other wire business. This is an industry that has just started in this country, and if the duty is reduced they can not go ahead with it. The amount of this wire that is brought in for tinsel amounts to over 300,000 pounds a year.

Mr. HILL. What was the other section, Mr. Akin?

Mr. AKIN. Regarding——

Mr. HILL. This is section 179. What was the other section, carrying the 45 per cent?

Mr. AKIN. Section 137, under the unlisted wire articles, coming under needle wire, and all that class of wire. There is practically over 300,000 pounds brought in annually. That much was brought in last year, and the Government only received 5 cents a pound duty on it, when it should be receiving 45 per cent.

Regarding the prohibiting of the importation of wire, under that change in the tariff, I would say that we are to-day selling wire in competition with the foreign wire of exactly the same size. That brought in under the wire scale would cost 64 cents a pound, and we are charging in competition with the foreign wire 60 cents a pound and getting the business. So it shows they can stand the extra cost of 20 cents a pound added to the tariff. It is the same size wire, only they do not have to put it on spools. There is a lessening of the cost. We can sell the wire, competing with them, and get the business. Of course they get business at times from us. It all depends on whether a man spends his summer here or in Europe. If he goes there he buys it for the winter.

The CHAIRMAN. That work of drawing that wire is done very largely by machinery, is it not?

Mr. AKIN. Yes; it has to be.

The CHAIRMAN. And the machinery is almost automatic?

Mr. AKIN. Well, it is, and it is not. That wire, in the first place, comes to us from the buyer. It is drawn down on one machine and then it goes to another. It goes through five machines, and the sixth machine puts it on the spool. We put it up for 19 cents a pound.

The CHAIRMAN. The actual labor cost is very small?

Mr. AKIN. Nineteen cents a pound. It is three and one-half thousandths when it is put on the spool.

The CHAIRMAN. The labor costs 19 cents?

Mr. AKIN. Yes, sir.

Digitized by Google

The CHAIRMAN. I wish you would give us a brief showing that particularly.

Mr. AKIN. That price is 4 cents below the lowest price that is gotten in this country by any of our competitors.

Mr. BONYNGE. The chairman asks for the labor cost by the pound.

The CHAIRMAN. Yes; the labor cost by the pound.

Mr. AKIN. It is practically 19 cents.

The CHAIRMAN. What do you sell that wire for?

Mr. AKIN. We are selling that wire for about 35 cents a pound to-day. The copper contents is one of the chief values. It is practically pure copper.

Mr. CLARK. If the labor costs 19 cents, how much does the copper cost?

Mr. AKIN. The copper is worth practically 16 cents in the form in which we get it.

Mr. CLARK. That is 35 cents.

Mr. AKIN. That is about the price we charge for it.

Mr. CLARK. You sell it for 35 cents?

Mr. AKIN. Yes.

Mr. CLARK. And it costs 35 cents?

Mr. AKIN. Yes, sir.

Mr. CLARK. How long have you been at it? [Laughter].

Mr. AKIN. The duty on tinsel wire is 5 cents a pound. That is the duty on tinsel wire, which is practically the same wire as this wire [exhibiting a spool of wire]. This wire, when it is brought in, pays 45 per cent duty, and the tinsel wire pays 5 cents a pound. If this wire were wound on a smaller spool it would come in as tinsel wire, and would pay 5 cents. I claim that it should be 20 cents.

Mr. HILL. You claim that it should pay 45 per cent?

Mr. AKIN. Yes, sir.

Mr. HILL. And 20 cents is the equivalent of 45 per cent?

Mr. AKIN. Yes, sir. It is unfair to the importer and unfair to the producer in this country to bring it in as it is now coming in. If you bring it in under one section you pay 45 per cent, and if you bring it in under another you only pay 5 cents a pound.

Mr. HILL. And you want a specific equivalent for the 45 per cent of the wire schedule?

Mr. AKIN. I want both duties to be made the same. I do not want it dodged.

The CHAIRMAN. I suppose there are different values of that wire.

Mr. AKIN. There are different values of tinsel. This [exhibiting spool of wire] is practically the basis for all tinsel wire. In many cases this wire is plated with silver, and on top of the silver gold, or, it may be, say, silver wire with gold. The Government specifies silver wire with gold plating. They do not make it in this country. If you make it 20 cents, it only adds the 20 cents, instead of adding the 45 per cent each time. It makes the duty less.

The CHAIRMAN. Give us the highest and the lowest prices of the different sizes of wire.

Mr. AKIN. This particular wire [indicating spool of wire]?

The CHAIRMAN. I mean the different sizes of wire. I do not mean that particular wire. There is a high and a low price, is there not?

Digitized by Google

Mr. AKIN. Taking in the base metals, we have sold iron wire for $11——

The CHAIRMAN. I want to know the prices per pound of the different sizes of wire that you ask a specific duty on.

Mr. AKIN. It is all one size.

The CHAIRMAN. All one size?

Mr. AKIN. Yes.

The CHAIRMAN. And you never get any other?

Mr. AKIN. No, sir; not at present.

The CHAIRMAN. Give us a description of that size, in connection with your remarks, so that we will know what we are doing, and the price at which it is imported here.

Mr. AKIN. On this wire for the last six years the average of the import price has been 44 cents per pound. That wire not only includes plain copper, but includes copper wire with brass plating on it, or it might be wire with silver plating on it; but the average of those wires is 44 cents a pound.

The CHAIRMAN. Where do you get the average? What is the highest and the lowest price?

Mr. AKIN. The highest and the lowest price—it is very difficult to tell.

The CHAIRMAN. Give us somewhere near it.

Mr. AKIN. Why, some of it would run as high as 60 cents a pound, and some as high as $1 a pound.

The CHAIRMAN. And how low would it run? What is the lowest price?

Mr. AKIN. It can not run below 35 cents.

The CHAIRMAN. Well, you have answered my question now.

BRIEF OF ROBERT M. AKIN, OF OSSINING, N. Y., REPRESENTING THE HUDSON WIRE COMPANY RELATIVE TO TINSEL WIRE.

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

WASHINGTON, D. C., *November 24, 1908.*

GENTLEMEN: Section 179 of Schedule C, tariff law of 1897, should be amended as hereinafter stated.

"No. 179. Tinsel wire, lame or lahn, made wholly or in chief value of gold, silver, or other metal, twenty cents per pound; bullion and metal threads, made wholly or in chief value of tinsel wire, lame or lahn, twenty cents per pound and thirty-five per centum ad valorem; laces, embroideries, braids, galloons, trimmings, or other articles, made wholly or in chief value of tinsel wire, lame or lahn, bullions or metal threads, seventy cents per pound and sixty per centum ad valorem."

The reason for asking for this revision is, that the tinsel wire mentioned is manufactured from a round wire that is afterward flattened, and we do not think it consistent that a wire that is dutiable at 45 per centum ad valorem, after further manufacture, should be imported at a rate of only 5 cents per pound.

We ask this protection to further the growth of an industry which is now in its infancy in this country, but has to compete with this low tariff and the cheap labor of foreign manufacturers.

I respectfully urge the amendment asked.

(Signed) ROBERT M. AKIN.

Digitized by Google

STATEMENT OF JOHN R. MONTGOMERY, REPRESENTING THE J. R. MONTGOMERY COMPANY, WINDSOR LOCKS, CONN., RELATIVE TO TINSEL WIRE.

WEDNESDAY, *November 25, 1908.*

The CHAIRMAN. Proceed, Mr. Montgomery.

Mr. MONTGOMERY. Mr. Chairman, there is tinsel wire in its different forms [exhibiting samples to the committee]. The tinsel wire, as Mr. Akin showed there, is in that form [indicating]. It comes in as tinsel wire under paragraph 137.

Mr. GRIGGS. Is your concern making money?

Mr. MONTGOMERY. It is all agreeable.

Mr. CLARK. You had better stand back there to speak so that the reporter will hear you.

Mr. GRIGGS. You will pardon me for asking you that question.

Mr. MONTGOMERY. Yes, sir. It is all agreeable.

Mr. GRIGGS. I say, your concern is making money?

Mr. MONTGOMERY. I will just show you those samples and that will give you an idea of what I am talking about.

Mr. GRIGGS. Mr. Montgomery, I want an answer to my question.

Mr. MONTGOMERY. I say, it is all agreeable.

Mr. GRIGGS. And I say, is your concern making money?

Mr. MONTGOMERY. Yes, sir.

Mr. GRIGGS. Mr. Boutell understood that you had not answered my question.

The CHAIRMAN. Proceed, Mr. Montgomery.

Mr. MONTGOMERY. My name is J. R. Montgomery. I reside in Windsor Locks, Conn. I am president of the J. R. Montgomery Company. We manufacture tinsel wire, lame or lahn, as shown by the samples, from copper wire, which we buy in this country and also import from Germany and France. Using the tinsel wire, we manufacture metal threads and cords and bullions. We sell the metal threads and bullions to the manufacturers of laces, embroideries, braids, galloons, trimmings, etc., which they use as their raw material in their manufactured articles.

In order that the committee may understand what the articles are that I refer to in my brief I submit herewith samples of tinsel wire [exhibiting samples].

I represent a corporation which is engaged in the manufacture of bullions and metal threads. I desire to call the attention of the committee to an inconsistency in the law as it now stands.

Paragraph 137, Schedule C, of the tariff act of July 24, 1897, provides that—

> Iron or steel, or other wire, not specially provided for in this act, including such as is commonly known as hat wire, or bonnet wire, crinoline wire, corset wire, piano wire, clock wire, and watch wire, whether flat or otherwise, and corset clasps, corset steels and dress steels, and sheet steel in strips, twenty-five one-thousandths of an inch thick, or thinner, any of the foregoing, whether uncovered or covered with cotton, silk, metal, or other material, valued at more than 4 cents per pound, 45 per cent ad valorem.

In paragraph 179, tinsel wire, lame or lahn, and made wholly or in chief value of gold, silver, or other metal, 5 cents per pound.

Digitized by Google

It will be noticed that if the material here brought in is described in the invoice as tinsel wire, it carries a duty of 5 cents per pound, while if it is brought in as gold, silver, or copper wire, it carries a duty of 45 per cent ad valorem.

Tinsel wire, as understood by the trade, is either round or flat wire, made of copper or other metal, and is put up on spools usually containing one-eighth of a kilo, while under paragraph 137, iron or steel or other wire, not specially provided for, is usually imported in a more bulky form. In other words, in the form Mr. Akin showed here. It will be seen, however, that copper wire may be imported at either a 45 per cent ad valorem duty, or a 5 cents per pound duty.

I believe that this discrepancy should be corrected in the act, which you now have under consideration, and that tinsel wire should carry the same rate of duty as copper or steel wire already carries under paragraph 137.

Should your committee decide to make the correction, as above suggested, it would be necessary that the duties imposed, under paragraph 179, should be increased on bullions and metal threads, made wholly or in chief value of tinsel wire, lame or lahn. The present act carries a duty of 5 cents per pound and 35 per cent ad valorem, while laces, embroideries, braids, galloons, trimmings, or other articles, made wholly or in chief value of tinsel wire, lame or lahn, bullions, or metal threads, 60 per cent ad valorem.

If an advanced rate is made on the tinsel wire, there should be a corresponding increase of the compensatory duties on the articles manufactured from such tinsel wire, lame or lahn.

I would suggest that paragraph 137 be left as it now stands, and that paragraph 179 be so changed as to carry the wire duty of 45 per cent ad valorem in a specific duty of 20 cents per pound. The average import costs for the past six years being about 44 cents per pound, a 45 per cent ad valorem duty would be an equivalent of 20 cents per pound.

Paragraph 179 would then read: Tinsel wire, lame or lahn, made wholly of, or in chief value of gold, silver, or other metal, 20 cents per pound; bullions and metal threads, made wholly or in chief value of tinsel wire, lame or lahn, 20 cents per pound and 35 per cent ad valorem.

That covers, up to that point, my manufacture. Beyond that there is the manufacture of laces, embroideries, braids, galloons, trimmings, or other articles made wholly or in chief value of tinsel wire, lame or lahn, bullions, or metal threads, 70 cents per pound and 60 per cent ad valorem.

The CHAIRMAN. That is a very large increase over the present law. It is a large increase over the act of 1890, which was 30 per cent, and the act of 1894, which was 25 per cent, with tinsel wire, lame or lahn, free.

Mr. MONTGOMERY. At that time there was no such thing as this lame or lahn made in this country. It was all imported. That is an entirely new manufacture in this country.

The CHAIRMAN. Well, we certainly had hearings on this subject when we were making the Dingley bill.

Mr. MONTGOMERY. Yes; I appeared before you at that time, but I only asked for an increase in the duties on thread.

Digitized by Google

The CHAIRMAN. I am very strongly of the impression that somebody appeared when we were making the McKinley bill, twenty years ago.

Mr. MONTGOMERY. Yes; I appeared at that time.

The CHAIRMAN. That is what I thought.

Mr. MONTGOMERY. But not on tinsel wire. That was not on tinsel wire. It was on metal threads—bullions and metal threads.

The CHAIRMAN. You are asking for a large increase on all of them.

Mr. MONTGOMERY. No, sir; I am not asking for any increase except on wire.

The CHAIRMAN. You are asking for 55 per cent ad valorem where it has been 25 and 30 per cent.

Mr. MONTGOMERY. No; not 55 per cent, but 35 per cent.

The CHAIRMAN. And 20 cents a pound, etc.

Mr. MONTGOMERY. I only ask for the 20 cents a pound on the tinsel wire, and that is for these other people. It does me no good. I do not care for it myself—that 20 cents a pound.

The CHAIRMAN. Well, that is what you have suggested. I do not know whether you want it for yourself or who you want it for. It is your suggestion before the committee, and before the committee will give any such increase it will have to have a good reason.

Mr. MONTGOMERY. My reason is that the inconsistency in the two paragraphs I mention should be overcome.

The CHAIRMAN. Well, that is not the way to overcome it.

Mr. MONTGOMERY. That is one way.

Mr. CLARK. In other words, you want to give symmetry to the bill. [Laughter.]

Mr. MONTGOMERY. Under section 137 there is a 45 per cent duty on the same thing.

The CHAIRMAN. Suppose the symmetry were obtained by cutting down the other paragraph.

Mr. MONTGOMERY. That is entirely agreeable to me. I do not manufacture the wire. It is the other fellow who does that.

The CHAIRMAN. Then we will have to hear some good reason from the other fellow before we do that.

Mr. HILL. I understand that you want the 45 per cent ad valorem duty of paragraph 137 made into an equivalent specific duty, and then, of course, necessarily, that equivalent specific duty must be carried into the finished product.

Mr. MONTGOMERY. Exactly.

Mr. HILL. But you do not ask any increase on any of those other things.

Mr. MONTGOMERY. Not a bit, so far as my part of the manufacture is concerned.

Mr. HILL. It is simply a question of refinishing the articles that Mr. Akin spoke of.

Mr. MONTGOMERY. Exactly.

Mr. HILL. And the necessity of modifying the finished product, because you do change the raw material.

Mr. MONTGOMERY. Exactly.

Mr. HILL. But no additional duty on the finished product.

Mr. MONTGOMERY. Exactly.

The CHAIRMAN. Why not change the raw material?

Digitized by Google

Mr. HILL. That is what he asks, and that necessarily——

The CHAIRMAN. Then he puts up the raw material. I want to find out the occasion for putting up the raw material.

Mr. MONTGOMERY. Because if you bring it in as copper wire it has a duty of 45 per cent ad valorem.

T · CHAIRMAN. That is right.

Mr. MONTGOMERY. And if you bring it in as tinsel wire it costs 5 cents a pound.

The CHAIRMAN. What we want is to get at some facts showing where the rate of duty should be changed.

Mr. MONTGOMERY. I can not show it any plainer than I have already shown it.

The CHAIRMAN. Proceed in your own way, then.

Mr. HILL. You have filed your brief?

Mr. MONTGOMERY. Yes, sir.

STATEMENT OF HENRY W. SCHLOSS, REPRESENTING THE BRAID MANUFACTURERS OF THE UNITED STATES, RELATIVE TO CLASSIFICATION OF TINSEL BRAID.

WEDNESDAY, *November 25, 1908.*

Mr. SCHLOSS. Mr. Chairman, I will take up the subject where Mr. Montgomery left off. You see, we use the thread in manufacturing our goods, and to give you an idea of what we do with Mr. Montgomery's product, there is a sample [exhibiting sample].

The CHAIRMAN. That is very pretty. I have seen similar goods three times in these hearings. That may be improved, but I have seen the same thing.

Mr. SCHLOSS. All we ask is——

The CHAIRMAN. It is very pretty, and I am always interested in it.

Mr. SCHLOSS. We ask on the tinsel braid and other materials used a compensatory duty equal to the duty assessed on metal thread, and in addition thereto 60 per cent ad valorem. That covers paragraph 179 and paragraph 137. I will leave my brief here with the reporter.

We represent an association of manufacturers of braids, trimmings, and kindred articles, which industry employs directly about 35,000 people, besides giving employment indirectly to many thousands of employees of kindred industries; and our industry represents directly an investment of from twelve to fifteen million dollars.

We wish to call your attention particularly to Schedule C, paragraph 179, metals and manufactures of. This paragraph, in assessing the duty on tinsel wire, lame or lahn, at five cents per pound, comes in conflict with paragraph 137 of the same schedule, which provides that "iron or steel or other wire, not specially provided for in this act, including such as is commonly known as hat wire, or bonnet wire, crinoline wire, corset wire, needle wire, piano wire, clock wire, and watch wire, whether flat or otherwise, and corset clasps, corset steels and dress steels, and sheet steel in strips, twenty-five one-thousandths of an inch thick, or thinner, any of the foregoing, whether uncovered or covered with cotton, silk, metal, or other material, valued at more than four cents per lb., forty-five per centum ad valorem."

Therefore, if the material be described in the invoice as tinsel wire, it carries a duty of 5 cents per pound, while if it is brought in as gold, silver, or copper wire the duty would be 45 per centum ad valorem. We recommend that this discrepancy should be corrected and that tinsel wire should be assessed at the same rate of duty which copper or steel wire now carries under paragraph 137, which is 45 per cent ad valorem, and should be assessed at a specific duty of 20 cents per pound.

The average import costs for the past six years being 44 cents per pound, the 45 per cent ad valorem duty would be an equivalent of 20 cents per pound.

Digitized by Google

In that event the duty on the bullions and metal threads, made wholly or in chief value of this tinsel wire, should be assessed at 20 cents per pound (to compensate for the duty on the wire) and 35 per cent ad valorem.

The laces, embroideries, braids, etc., made wholly or in chief value of tinsel wire, lame, bullions, or metal threads, should be assessed at the duty of 70 cents per pound (to compensate for the duty on the metal threads of which they are made) and 60 per cent ad valorem.

In braid manufactured in the United States the material consumed is approximately 40 per cent of the cost and the labor and expenses are 60 per cent of the cost.

In Europe, where most of this class of goods is manufactured, the labor and expenses are about one-third of what they are in this country. Therefore, assuming that their material costs them the same as ours (through our having a compensatory duty to cover the duty on the material), their material would amount to 40 per cent of our cost, and their labor and expenses would be only one-third of 60 per cent of our cost, which would be equal to 20 per cent, thus making their total cost equal to 60 per cent of our cost.

If 60 per cent ad valorem duty be added to this (in addition to compensatory duty, to cover duty on material), it will make their total cost landed, with 60 per cent duty added, equal to about 96 per cent of our cost, which would result in putting us in a position to compete with them without said rate of duty being at all prohibitive.

We therefore ask on the tinsel, braids, etc., a compensatory duty equal to the duty assessed on the metal threads, and, in addition thereto, 60 per cent ad valorem.

Paragraph 179, as amended, would then read as follows:

"Tinsel wire, lame, or lahn, made wholly of or in chief value of gold, silver, or other metal, twenty cents per pound; bullions and metal threads, made wholly or in chief value of tinsel wire, lame, or lahn, twenty cents per pound and thirty-five per centum ad valorem; laces, embroideries, braids, galloons, trimmings, or other articles, made wholly or in chief value of tinsel wire, lame, or lahn, bullions, or metal threads, seventy cents per pound and sixty per centum ad valorem."

Respectfully submitted.

BRAID MANUFACTURERS OF THE UNITED STATES,
Per HENRY W. SCHLOSS, *President.*

P. S.—The 70 cents per pound, compensatory duty, which we ask for our products, is equivalent to the proposed duty of 20 cents per pound and 35 per cent ad valorem on the threads, based on the average price of the threads, of 15 francs per kilo, which is equivalent to $1.36 per pound.

STATEMENT OF A. H. KURSHEEDT, REPRESENTING THE EMBROIDERY AND LACE MANUFACTURERS' ASSOCIATION OF THE UNITED STATES, RELATIVE TO TINSEL WIRE.

WEDNESDAY, *November 25, 1908.*

Mr. CLARK. Mr. Kursheedt, do you want to be heard on this tinsel question?

Mr. KURSHEEDT. It is practically the same thing as braids, except that our goods——

Mr. CLARK. Would you rather undertake to make a speech, or to file a brief?

Mr. KURSHEEDT. I would just as soon file a brief.

Mr. CLARK. Well, please do that.

WASHINGTON, D. C., *November 25, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: This industry employs upward of 50,000 people and represents investments of many millions of dollars.

We wish to call your attention particularly to Schedule C, paragraph 179, "Metals, and manufactures of." This paragraph, in assessing the duty on tinsel

Digitized by Google

wire, lame or lahn, at 5 cents per pound, comes in conflict with paragraph 137 of the same schedule, which provides that "iron or steel or other wire, not specially provided for in this act, including what is commonly known as hat wire, or bonnet wire, crinoline wire, corset wire, or needle wire, piano wire, clock wire, and watch wire, whether flat or otherwise, and corset clasps, corset steels and dress steels and sheet steels in strips, twenty-five one-thousandths of an inch thick, or thinner, any of the foregoing, whether uncovered or covered with cotton, silk, metal, or other material, valued at more than 4 cents per pound, 45 per cent ad valorem."

Therefore, if the material be described in the invoice as tinsel wire, it carries a duty of 5 cents per pound, while if it is brought in as gold, silver, or copper wire the duty would be 45 per cent ad valorem. We recommend that this discrepancy should be corrected and that tinsel wire should be assessed at the same rate of duty which copper or steel wire now carries under paragraph 137, which is 45 per cent ad valorem, and should be assessed at a specific duty of 25 cents per pound.

The average import costs for the past six years being 44 cents per pound, the 45 per cent ad valorem duty would be an equivalent of 20 cents per pound. In that event the duty on the bullions and metal threads, made wholly or in chief value of this tinsel wire, should be assessed at 20 cents per pound (to compensate for the duty on the wire) and 35 per cent ad valorem.

In the tinsel laces and embroideries manufactured in this country the material is under 35 per cent of the total cost and the labor and expenses about 65 per cent. In foreign countries the labor and expenses are about one-third of what they are in this country; therefore, if in the foreign country tinsel threads cost the same as in ours (by having a compensatory duty of 70 cents per pound assessed on embroideries to compensate for the duties on the thread) then the foreign cost of material would amount to 35 per cent of our cost and their labor and expenses would be only one-third of 65 per cent of our labor and expenses, which would be equal to 22 per cent; thus making their total cost 57 per cent of ours. A duty of 60 per cent added equals 91 per cent of our cost. With this protection we could compete on many varieties because of our being able to make more prompt delivery of goods, and yet this rate of duty would not in any case be prohibitive. Tinsel laces and embroideries are typical luxuries. Their use is dependent almost entirely upon the whim of fashion. This is the reason why the imports show such extreme fluctuations.

Respectfully submitted.

THE EMBRODERIES AND LACE MANUFACTURERS' ASSOCIATION OF THE UNITED STATES.
Per A. H. KURSHEEDT, *Pres.*

THE HARRIS MANUFACTURING CO., PASSAIC, N. J., URGES THAT THERE BE NO REDUCTION IN DUTY ON TINSEL BRAIDS.

PASSAIC, N. J., *December 1, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: We wish to call your attention to certain concrete facts which are particularly important as representing general conditions affecting the revision of the tariff. We are manufacturers of tinsel bands used in the put-up of fine cotton goods. Prior to our entering the field this article was wholly imported. The raw material, i. e., tinsel wire, is imported. The average wages paid in France are 50 cents a day, against 200 cents a day here. The duty of 45 per cent brings the foreign wages up to 72½ cents a day against 200 cents a day here.

The only way for us to do business, even with a duty of 45 per cent, is to handle our orders more promptly, to turn over in a fraction of the time necessary to the foreigner.

The figures speak for themselves.

HARRIS MANUFACTURING CO.,
ARTHUR O. HARRIS, *President.*

Digitized by Google

HOOKS AND EYES.

[Paragraph 180.]

THE AMERICAN PIN COMPANY, OF WATERBURY, CONN., ASKS RETENTION OF PRESENT DUTIES ON HOOKS AND EYES.

WATERBURY, CONN., *December 7, 1908.*

COMMITTEE ON WAYS AND MEANS,
House of Representatives, Washington, D. C.

GENTLEMEN: In behalf of the American Pin Company, of Waterbury, Conn., I desire to urge upon your committee the absolute necessity of retaining the present duties upon hooks and eyes and upon pins in the proposed tariff legislation, and would respectfully submit the following statement showing the conditions underlying the manufacture and sale of these goods and the reasons for the retention of the present duties:

Prior to the tariff act of 1897 hooks and eyes were not specifically enumerated in any tariff act, and in the tariff act of 1890 were dutiable under paragraph 215 at 45 per cent ad valorem, and in the act of 1894 were dutiable under paragraph 177 at 35 per cent ad valorem. The tariff act of 1897 specifically enumerated these goods and made them dutiable at 5½ cents per pound and 15 per cent ad valorem.

The benefit from this change, from an ad valorem duty to a duty partly ad valorem and partly specific, was immediately seen in the growth of the industry in this country. The specific duty rendered undervaluations practically impossible, and while the duty now as a whole is less than the duties of 45 per cent or 35 per cent ad valorem, yet its being partly specific has rendered it enforcible, and the result has been in an increase in the manufacture and sale in this country of hooks and eyes amounting to several hundred per cent, and, in fact, with the exception of some goods sold in bulk, which the foreign manufacturers can do with profit in this country even with the present duties, the trade of this country has been almost entirely supplied by American manufacturers. I would state most positively, however, that there are practically no hooks and eyes whatever other than those protected by patents exported from this country, and American manufacturers can not compete with foreign countries outside of this country with these hooks and eyes, either carded ready for market or in bulk. They never have been exported and are not exported now.

Right here I would call the attention of your committee to the price of these goods from 1890 to 1898. With the ad valorem duties the market was very largely supplied by foreign manufacturers, and the small volume of business in this country necessitated a high cost, and the price ranged at about $2 per great gross for these goods. Immediately following the passage of the present tariff act of 1897 the volume of business increased very heavily in this country, and the cost of production was thereby decreased to a very great extent and the same brands of goods which were sold immediately prior to the passage of the present act at about $2 per great gross are now sold at $1 per great gross, and have sold at this lower price for a number of years. It is a well-recognized fact that the fixed charges of a concern do not increase with an increased proportion of busi-

Digitized by Google

ness, but should materially decrease if spread over a large volume. This was the case with hooks and eyes to a very great extent, and the protection of a specific duty of 5½ cents per pound and an ad valorem duty of 15 per cent has made it possible to cut the cost of production over one-half, and the manufacturers of this country have given the people of the country the benefit of it.

It is true that hooks and eyes are made upon automatic machines, but the hook and eye, as it drops from the automatic machine, is a very small part of the cost of a great gross of hooks and eyes, as demanded by the consumers in this country. Many times endeavors have been made to sell the consumers a small gross in a box for the purpose of cheapening the production, but they are not acceptable to the trade and will not be bought in this form. The trade will not accept them unless they be affixed to cards for the general merchant. The only goods that are sold in bulk or in small boxes are such as are sold to the manufacturing trade, and with the present duty the foreign manufacturer is able to send these goods into this country and sell them at a less price than they can be furnished by American manufacturers in bulk. The printed reports of "Imports entered for consumption" show the following imports from 1898 to 1908, inclusive, but, as I have said, these goods are imported practically in bulk and for the use of manufacturers and not for the use of trade in general throughout the country.

Year ending June 30—	Quantity.	Values.	Year ending June 30—	Quantity.	Values.
	Pounds.			*Pounds.*	
1898	237,867	$43,666	1904	37,568	$7,403
1899	122,606.22	23,633	1905	37,215	6,428
1900	119,954.33	23,624	1906	48,701	7,852
1901	63,572	15,033	1907	23,164	4,702
1902	64,569.59	16,236	1908	14,069	2,518
1903	47,803.25	9,212			

This table shows that the home market for these goods is now practically in the hands of the American manufacturer; but, as I have said before, the amount of production has increased many hundred per cent and the price has been lowered to the consumer in the neighborhood of over 50 per cent. The benefit to this country from the change in this duty, both to the consumer, operative, and manufacturer, can be very readily seen. This in itself shows most conclusively the necessity for the retention of the present specific and ad valorem duty.

As to the cost of these goods to the manufacturer, I would add further, that after they come from the machine they must be nickel plated, silvered, or enameled. This is not an expensive operation and would not add materially to their cost, but up to date no successful process of placing these hooks and eyes upon cards has been discovered whereby it can be done by machinery which is automatic, and ever since the manufacture of these goods in the United States they have been carded by sending them out into the hands of families, and to-day the American Pin Company has, within a radius of 30 miles, a six months' supply of these goods in the hands of families, who sew them on by hand at their leisure, at prices as shown below, because it would be impossible to do this work by hand within its

Digitized by Google

mills at the ordinary day wage and compete with the low-priced labor of foreign countries.

And in this connection I desire to call the attention of the committee to the prices paid in this country for the different items of labor entering into the manufacture of hooks and eyes until they are ready to be distributed to consumers. The price paid for sewing these goods upon cards in the hands of families amounts to from 30 cents to 35 cents per great gross, while for the same work of carding in foreign countries, Germany pays 6 cents and England 8 cents to 10 cents per great gross. The selling price of these goods having been already stated as $1 per great gross, it will be seen that the cost of putting the goods upon cards alone is about one-third of the selling price.

In addition to this the foreign manufacturer pays for the operation of his automatic machines which produce these goods in England $10 per week and in Germany $7.50 per week, against the price paid by this company for the same help from $18 to $20 per week.

The girls who do the packing of these goods earn in England $3 per week and in Germany $2.70 per week, against from $8 to $9 per week for the same work in this country.

The same difference in wages applies to the manufacture of paper boxes, 12 of which are used in the putting up of hooks and eyes, and in addition to the 12 boxes a container large enough to hold the same. And the difference above set forth in wages extends throughout all articles that are manufactured, any part of which is needed toward the completion of a great gross of hooks and eyes ready for the market. The foregoing figures are taken as applying to the brand of goods manufactured by this company and having the largest sale.

At the risk of making this brief too long, I incorporate here a personal letter from Mr. William R. Willetts, superintendent of the American Pin Company, to Mr. George A. Driggs, its treasurer and general manager, under date of November 19, 1907, as it emphasizes most forcibly the statements I have made above in regard to the conditions in foreign countries. I would call the attention of the committee to the date of this letter, it having been written in November, 1907, at a time when it could not have been conceived that it could have been written with any thought as to its bearing upon any subsequent tariff legislation. The names of the parties upon whom Mr. Willetts called have been omitted from this letter for obvious reasons.

NOVEMBER 19, 1907.

Mr. DRIGGS:

Aside from the business which was really the cause of my going abroad into England, Holland, Belgium, and Germany I found very much of interest on the subject of the American tariff as against the different countries that I visited. I was met with the same expression in all four countries, both from small and large manufacturers.

For instance, I had to call on ——— ———, of Stohlberg, Germany, the largest manufacturers of hooks and eyes in the world, and there I met their managing director, Mr. ———. I went into the prices of bulk hooks and eyes and found that the common goods could be purchased at about the price of raw material. I asked for an explanation and the explanation given was that they had any amount of machines for making those goods that have been idle for years, and when this information was given I was also told that they presumed I knew the reason why they were lying idle and that my country (meaning the United States) was to blame for it.

Digitized by Google

Mr. ——— was free to state that he looked upon that tariff wall as something abominable and unsurmountable, so far as they were concerned, but that it was always in their minds as something to hope for in the way of a disappearance of it, and the impression I gathered from him was that there is not anything reasonable he and his fellow-German citizens would not do to remove that tariff wall.

My next call was at ——— ———, Brussels, Belgium, upon the ——— ———. I found that the price on common hooks and eyes there was very low, and that the same conditions obtained as regards the machinery they had for making the same, and I was told there by their managing director that before the high American tariff was put into effect those machines were run night and day and they could hardly make goods enough, and at the present time and ever since that tariff had been put into effect they could not keep more than a quarter of them running.

At this place as well as at ——— I received the information that it would not be necessary to abolish all, or even half, of the tariff to enable them to start the machines up and send the product of same into America.

The next information received on this subject was when I visited the ——— ———, of Birmingham, England. There I met Mr. ——— and we had quite a lengthy argument upon the subject of the American tariff. It was easier for me to understand Mr. ——— than the other people mentioned above, Mr. ——— being an Englishman and speaking plain English, which was not entirely so in the case of the others; and I will say right here that Mr. ——— did not hesitate at all to use very plain English when he was speaking on this subject.

He admitted that our American workmen had attained a standard much higher than the standard of any people in any country he knew of, and in the case of England itself he thought that the American workmen and citizens were 50 per cent better off than the English workmen, and that in his opinion there was no other one thing to account for it other than our protective tariff. He said to reduce that by 33⅓ per cent and it would then enable them to show us that they could make goods to compete with us; that it would not be necessary to take it all off, nor even half of it, but that we had got it just to about that point where it was utterly impossible for them to make hooks and eyes and send them over here and make any profit. He became quite enthusiastic on the subject, and you know he and his family have been in the business for a great many years (and they are now the largest manufacturers of hooks and eyes in the British Kingdom); and he told me of conditions which obtained previous to the American tariff of 1897, which were that they had machinery which was producing in value £30,000, and that immediately upon that tariff going into effect this was cut in two and they were only called upon to produce half of that amount, £15,000, and that it had continued that way for quite a few years, until they had been able to increase it somewhat by going into business relations with their different colonies and other countries, but not the United States. Their exports into this country to-day are very small indeed.

All this information could not help but bring to my mind the condition of affairs in the Canadian market, which you know as well as I, and the conditions there prove out to my entire satisfaction that the information I received was authentic, for a summing up of the condition in Canada is, as you know, that it is impossible for Canadians (and they are equal to Americans, in my opinion), even with the aid of the most up-to-date American machinery, to manufacture and market the goods in such a manner as will give them a profit with the tariff now existing between Canada and England, which, as I remember it, is 35 per cent ad valorem and the English preferential on the goods in question.

W. R. W.

PINS.

As to pins, I am free to state that these are made upon automatic machines and are also stuck upon papers by machines, but the cost of labor connected with all of the operations is so much greater in this country than in foreign countries that the retention of the present duty of 35 per cent ad valorem is necessary for the successful competition by the manufacturers of this country with those of foreign countries.

Digitized by Google

In this country the price paid operators upon pin machines is from $18 to $21 per week, while in England it is $10 to $12 per week. Boy tenders in this country are paid $7.25 to $9 per week, and in England are paid $3.50 to $4 per week, and, in addition, in England girls are used to do this work; and in doing this we feel that they are wrong, for the manufacturers of pins do not look upon this occupation as a fit one for girls, for the duties necessitate their being amongst rapidly running machinery, which is made up of a multiplicity of belts, gears, etc., which are very dangerous, as there is great danger of dresses, hair, etc., becoming entangled therein. Machine repairers in this country are paid $16.50 to $19.50 per week, and England pays $10 to $12 for the same work; $7.50 to $8.50 is paid here for girl operators on stickers, and in England $5.40 per week is paid, and from this the operator is obliged to take sufficient to pay a girl tender, and, in addition, to pay the concern for which she works 12½ cents per week for the gas used in heating the stickers.

It is not necessary to enumerate further the difference in wages in detail, but there are many other people employed, such as rollers, inspectors, packers, and whiteners, and the percentage of difference in the wages paid is about the same. In addition, what I have heretofore said in relation to hooks and eyes as to cost of paper, paper boxes, etc., applies in the case of the manufacture of pins and making them ready for the market.

I would also add that the actual figures, as compiled by the company I am representing, show that 33 per cent of the total labor cost of a pack of pins is hand labor and of such a character that the possibility of its ever being done automatically is very remote.

The market for the American manufacturer of pins is entirely the home market, and less than one-half of 1 per cent of the total quantity of pins manufactured in this country are exported, and those only in certain forms to meet certain conditions.

Even with the present duty there is a very large quantity of pins imported into this country, the government reports showing the following imports since the passage of the tariff act of 1897:

Year ending June 30—	Values.
1898	$125,559.00
1899	117,389.50
1900	130,264.20
1901	132,102.00
1902	134,093.00
1903	128,229.38
1904	138,724.50
1905	138,431.00
1906	149,403.50
1907	155,798.54
1908	151,778.85

It is impossible to ascertain from the government statistics just the proportion of the foregoing values as applies to pins only and not to hairpins, safety pins, hat pins, etc., but it is a fact that a very large proportion of these values does apply to pins solely, and carefully gathered statistics show that the amount of pins imported is more than one-sixth of the total value of pins manufactured in this country.

I am instructed to state to your committee by the company I represent that any further statistics or details in relation to the method or

Digitized by Google

manner of production or to its cost will be very readily given your committee upon request, and in conclusion I would most respectfully urge upon your committee, for the reasons given above, the necessity to the manufacturers in this country of retaining the duties as now existing both upon hooks and eyes and upon pins.

Respectfully submitted.

AMERICAN PIN COMPANY,
By JOHN P. KELLOGG, *Its Attorney.*

LEAD.

[Paragraphs 181 and 182.]

THE TACOMA CHAMBER OF COMMERCE AND BOARD OF TRADE PROTESTS AGAINST REDUCTION OF DUTY ON LEAD.

TACOMA, WASH., *November 23, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee, Washington, D. C.:

The Tacoma Chamber of Commerce and Board of Trade desires to join in protest against any reduction in the tariff on lead and desires to state that it is our firm belief if the duty on lead is reduced it will surely close down the lead mines of the Northwest and stop developments of the lead mines of Alaska, which are now in their infancy. Higher wages paid in the United States as against Mexico, Australia, and Spain would make competition with these foreign countries impossible for us.

TACOMA CHAMBER OF COMMERCE and
BOARD OF TRADE.

Letters and telegrams similar in purport to the above were received from the following: Lewis E. Anbury, state mineralogist of California; Board of Trade of Silverton, Colo.; Dunkin Mining Company, Leadville, Colo.; The Luema Mining Company, Leadville, Colo.; San Juan Mining Association, Silverton, Colo.; T. S. Wood, Leadville, Colo.; Spokane (Wash.) Stock Exchange; The Aburdix G. M. and M. Co., Pueblo, Colo.; E. I. Palmer, Pueblo, Colo.; The American National Bank, Leadville, Colo.; Weber Club, Ogden, Utah; Durango (Colo.) Board of Trade; Z. F. Higginbotham & Sons, Fertile, Mo.; Denver (Colo.) Chamber of Commerce; Commercial Club, Salt Lake City, Utah; New Monarch Mining Company, Leadville, Colo.; Utah Mine Operators' Association, Salt Lake City, Utah; James Long, Potosi, Mo.; J. F. Callbreath, jr., Pittsburg, Pa.; Secretary American Mining Congress; Helena (Mont.) Commercial Club; Madison Land and Lead Company, St. Louis, Mo.; Colorado Manufacturers' Association, Denver, Colo.; Hon. John C. Cutler, Salt Lake City, Utah, governor of Utah; Southeast Missouri Lead Company, St. Louis, Mo.; Chamber of Commerce, Missoula, Mont.; L. W. Hutton, Spokane, Wash.; Parks Brothers, Spokane, Wash.; East Pacific Mining Company, Helena, Mont.; William A. Nicholls, Spokane, Wash.; Chamber of Commerce, San Francisco, Cal.; Montana Mine Owners' Association, Helena, Mont.; Exchange National Bank, Spokane, Wash.

Digitized by Google

JAMES M. HADDEN, FREDERICKTOWN, MO., THINKS REMOVAL OF DUTY FROM LEAD WOULD CRIPPLE INDUSTRY.

FREDERICKTOWN, MO., *November 20, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee, Washington, D. C.

DEAR SIR: I have just been unofficially notified that on November 25 there is to be a hearing before your committee at Washington, and that an effort will be made to reduce the duty of 1½ cents per pound upon lead. It is unnecessary to say that for the lack of time I can only state a few facts, but the proof of them can easily be produced.

The condition of things regulating our own affairs will, I think, portray pretty fairly those of by far the majority of lead-mining companies as to numbers.

There are, I know, a few who could, I believe, make money under almost any conditions, and even if the tariff was entirely removed could still manage to do so, but the large majority of us would be obliged to shut down permanently. These few companies were exceedingly fortunate in their possession of ground containing a large percentage of lead-bearing rock. It is their good fortune, and no one of your committee would for a moment question it. It is what all the companies are looking and hoping for and but few ever find.

We are compelled year after year to mine an ore that would not average in lead over 2 per cent of the rock actually taken out, and few of the many companies engaged in the business for the past number of prosperous years have done more than come out even, without considering the interest upon their money invested.

Many things that may not appear to your committee do actually occur to most of these companies. They are, as is well known, almost always located in isolated rural districts and become at once the almost sole means of building up the community, both from the direct support of the operatives as well as furnishing the bulk of taxable property for schools and all other improvements, and the local authorities are never slow to tax foreign capital.

The present protection as to duty and any sudden or gradual raise in the marketable price of lead, I have found, very seldom benefited the producer as much as the operatives, for they, too, are quick to take advantage of favorable conditions by demanding higher and still higher wages.

It is, I think, safe to say that the lead-mining companies generally believe in your absolute justice in this matter, but it is also my belief that if you reduce the duty upon lead you would put the majority of us out of business.

Yours, very truly, JAS. M. HADDEN.

Digitized by Google

THE CLOUD CITY MINERS' UNION, LEADVILLE, COLO., THINKS DUTY ON LEAD SHOULD BE INCREASED.

[Telegram.]

LEADVILLE, COLO., *November 23, 1908.*

Hon. S. E. PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.:

On behalf of the mine workers of this district we earnestly urge that the present duty on lead not only be maintained, but if possible increased. We also urge the adoption of a sufficient tariff on zinc to permit of its being produced profitably in this State. Any reduction in tariff would completely demoralize mining in this district and throw hundreds of men out of employment; therefore it is absolutely necessary that our industry be protected, more especially the lead and zinc mining. Any other action by your committee will result disastrously.

CLOUD CITY MINERS' UNION,
By THOS. POWERS, *Secretary.*

THE SPOKANE CHAMBER OF COMMERCE URGES RETENTION OF PRESENT DUTIES ON LEAD ORES AND LEAD BULLION.

SPOKANE, *November 17, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: Whereas the United States produces more lead annually than it consumes; and

Whereas the lead-mining industry, employing thousands of men at high wages, is largely dependent upon a fair price for lead bullion; and

Whereas a reduction in the tariff on lead ores and lead bullion would be followed by a reduction of the market price of the commodity, which in turn would cause many mining properties now being operated at a profit to be shut down and thus cause great pecuniary loss to thousands of investors, as well as take away employment of thousands and cause a reduction in wages to miners employed in mines which would survive under the new régime: Therefore, be it

Resolved, By the board of trustees of the Spokane Chamber of Commerce, members concurring, that we earnestly protest against any revision of the tariff which shall reduce the present duty of 1½ cents per pound on lead ores and 2⅛ cents per pound on lead bullion; be it further

Resolved, That we urge our Senators and Congressmen to vote against any proposed reduction of the tariff on lead ores or lead bullion; that a copy of these resolutions be sent to each of our Senators and Congressmen and to Sereno E. Payne, chairman Ways and Means Committee of the House of Representatives; also, to the secretary of the Associated Chambers of Commerce of the Pacific Coast for its indorsement.

BOARD OF TRUSTEES,
By F. E. GOODALL, *President.*

Attest:
L. G. MONROE, *Secretary.*

Digitized by Google

STATEMENT OF C. E. ALLEN, OF SALT LAKE CITY, UTAH, RELATIVE TO LEAD MINING INDUSTRY.

FRIDAY, *November 27, 1908.*

Mr. ALLEN. I appear on the subject of lead. Gentlemen of the committee, I had not expected to present this question except with particular reference to the miners of Utah.

The CHAIRMAN. Under what paragraph is it?

Mr. ALLEN. I believe it is paragraphs 181 and 182. I have here a set of resolutions passed by the Commercial Club of Salt Lake City, which I will file in the record, which simply illustrates the common position of the people of Utah.

(The resolutions referred to are as follows:)

SALT LAKE CITY, UTAH, *November 21, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
House of Representatives, Washington, D. C.:

Whereas the matter of reducing the present tariff on lead is being considered before your honorable committee,

We, the undersigned, representing the Commercial Club, of Salt Lake City, Utah, as its board of directors, respectfully present:

That a reduction from the present tariff on lead will paralyze the mining industry of this State, bringing disaster to thousands of men employed and to all industries which in a measure are associated with mining;

That during the year 1907 the lead production of the State of Utah amounted to 60,000 tons, valued at $6,000,000;

That Utah ranks third in the production of lead in the United States, the total production of which is valued at $38,000,000 for the year 1907;

That the industry has been made possible by the tariff on the metal lead, and that an industry made possible by protection is as worthy of preservation as it was of creation;

That the prosperity of the entire United States is dependent in a marked way on the welfare of the mining industry.

Therefore be it resolved, That the Commercial Club, of Salt Lake City, Utah, by its board of governors, earnestly petition your honorable body for a maintenance of the present lead tariff schedule, and pray that the integrity of so vital an industry be preserved to the citizens of the State of Utah.

I was asked by the Mine Operators' Association of Utah, comprising practically all the operators of that State, to present as well as I might their position in this matter, and the secretary of that organization has prepared a statement of facts so far as he could ascertain them from the data at hand in that city, which I also will file.

We are not here asking that there be any increase in the tariff, although we are all tariff people. The president of the Mine Operators' Association of Utah is a Democrat, and many of the members are Democrats. Many of them are Republicans. They are all unanimous in their position in this matter. I had expected that the gentleman from Idaho would be here and present the general aspects of this matter, and I would deal entirely with the local situation in Utah. Therefore I am not as thoroughly prepared as I otherwise might have been on the general aspects of the case.

The CHAIRMAN. Who is the gentleman from Idaho to whom you refer?

Mr. ALLEN. I do not know. They sent a delegation here, but they are out banqueting, I believe, to-night.

Digitized by Google

The CHAIRMAN. That is a good place to be.

Mr. ALLEN. Yes; I would like to be there myself. I would like to have the gentlemen of the committee bear in mind the distinction between tons of lead and tons of lead ore. I noticed yesterday there was some confusion of thought because that distinction was not noted in another discussion that went on.

In 1906 there were 350,000,000 tons of lead produced in the United States. We imported 84,000,000, in round terms. That is, our production now is about 82 per cent of our consumption, and we import about 18 per cent, which shows that the tariff is not prohibitive.

The CHAIRMAN. Are those imported ores dry ores or wet ores?

Mr. ALLEN. All ores are wet before they go into the furnaces.

The CHAIRMAN. What is that?

Mr. ALLEN. Perhaps you are using the word "dry" in one sense and I in another.

The CHAIRMAN. I am talking of the fluxing ores.

Mr. ALLEN. Lead is a fluxing ore. Lead is a wet ore in that sense.

The CHAIRMAN. All lead?

Mr. ALLEN. All lead.

The CHAIRMAN. Is there not some lead ore that they use for fluxing rather than others?

Mr. ALLEN. All lead ore acts as a gatherer of the precious metals, and lead ores are mixed sometimes with what smelter men call "dry ores" to collect the gold and silver that are in the dry ores.

The CHAIRMAN. It is necessary to have those fluxing ores in order to smelt, is it not?

Mr. ALLEN. Yes; but we can get plenty of them out of the United States.

The CHAIRMAN. What is that?

Mr. ALLEN. We can get plenty of them in the United States.

The CHAIRMAN. But they do import them generally now, do they not?

Mr. ALLEN. Not generally.

The CHAIRMAN. A large portion of the importations are fluxing ores, are they not?

Mr. ALLEN. A large importation of what?

The CHAIRMAN. I say a large percentage of the importations are fluxing ores, are they not?

Mr. ALLEN. There is 61,000 tons of lead ore which comes in from Mexico, for instance—61,000 tons of lead, I mean; I do not know how many tons of lead ore.

The CHAIRMAN. Does no lead ore come in?

Mr. ALLEN. It comes in the form of lead ore.

The CHAIRMAN. How much lead ore comes in?

Mr. ALLEN. I can not answer that question. I could not find the statistics.

The CHAIRMAN. I have forgotten a good deal about this question; I have not looked it up for twelve years. Then we went into it very thoroughly, and this committee thought 1 cent a pound on lead ore was a very high duty. The Senate put on 1½ cents, and the House finally yielded. At that time we made up our minds that a duty of 1 cent was a very high duty on those lead ores.

Mr. RANDELL. We imported 127,196,540 pounds of lead ore and base bullion in 1907.

The CHAIRMAN. Lead in ore.

Digitized by Google

Mr. RANDELL. That is right.

The CHAIRMAN. Do you know what the consumption of the United States is?

Mr. ALLEN. It is about 435,000 tons of lead.

The CHAIRMAN. In ore?

Mr. ALLEN. Lead.

The CHAIRMAN. Oh, the smelted lead?

Mr. ALLEN. Yes, sir.

The CHAIRMAN. That is made from this American product; and what imported ores are smelted?

Mr. ALLEN. There were 82,000 tons of lead imported in 1906.

The CHAIRMAN. We will get at those figures. I was only trying to get my bearings.

Mr. HILL. It is at page 224.

Mr. ALLEN. The question of the comparative wages paid in Mexico (from which our chief imports come) and the wages in the West, in the United States, is very interesting. I can not speak of the wages of Missouri. The scale of wages which I will give applies to the intermountain States. The miners in Mexico receive from 75 cents to $1 Mexican. That is 37½ cents to 50 cents in United States money. The mine bosses receive from $1.25 to $1.50—62½ cents to 75 cents American money. Hoister runners and pump men receive from $1.25 to $2 Mexican—half as much American money. The common mine laborer receives 50 cents a day Mexican, or 25 cents a day American money.

This is a showing that was made before the Dingley committee in 1897. I have not been able to place my hands upon anything later, but I find this in a report issued by the International Bureau of American Republics, dated 1904:

> But it is true that with the great mass of Mexican laborers there has been but little, if any, change in the amount of wages paid.

Showing that up to that time (1904) the wages of the Mexican laborer and miner had not increased. The comparative wages of the American miners and other men about the mines are as follows: Shaft men get from $4 to $5 per day, according to whether it is a wet or a dry shaft. I must say that I am a miner. I understand the business——

The CHAIRMAN. Are they ever paid by the ton for mining?

Mr. ALLEN. Not very much in these mines; but contract work is done, sir.

The CHAIRMAN. How much is the contract price per ton when they are paid by the ton?

Mr. ALLEN. I can not answer that question, because I have had no experience with it. I think that is done in Missouri as much as it is anywhere else.

The CHAIRMAN. I find it says here that the "lead production in the United States in 1905 amounted to about 300,000 short tons, which is about the average yearly output." Does that conform to your understanding?

Mr. ALLEN. Yes, sir; but it was a little higher in 1906.

The CHAIRMAN (reading):

> Notwithstanding this large product, it is not enough lead to supply the home demand, the lack being supplied by importations of ore and Mexican base bullion.

Digitized by Google

Is that true?

Mr. ALLEN. Yes.

The CHAIRMAN (reading):

This country also exports lead ore, in 1907 the exportation of lead ore and base bullion reaching the total of 80,638,497 pounds, valued at $1,970,577.

Is that correct, or do you not know?

Mr. ALLEN. Yes; I know it as other people know it.

The CHAIRMAN (reading):

Of this exportation the United Kingdom took 37,649,720 pounds, Germany coming next with 17,872,543, and Japan next with 6,390,874.

Is that correct, or do you not know about those figures? I do not want you to say it is correct unless you know.

Mr. ALLEN. I do not know.

The CHAIRMAN. Then, it would seem that we have not enough lead ore in this country and can not mine enough to supply our demand, and have had to get it from abroad?

Mr. ALLEN. We get some.

The CHAIRMAN. We get quite a considerable "some."

Mr. ALLEN. The tariff is not prohibitive. It allows some to come in.

The CHAIRMAN. Well, we have to pay them, no matter what the tariff is, and we have got to get it.

Mr. ALLEN. Blacksmiths and carpenters receive from $4 to $5 per day. Engineers receive from $3.50 to $5 per day. Miners receive from $2.75 to $4 per day. Laborers receive from $2.50 to $3 per day.

Mr. BONYNGE. What is the price of lead now?

Mr. ALLEN. It was 4.3, the last quotation I saw.

Mr. BONYNGE. Has it increased or decreased in the last year?

Mr. ALLEN. It has decreased within the last year. It has decreased some within the last two months.

Mr. BONYNGE. How much has it decreased within the last year?

Mr. ALLEN. The average price of lead in 1906 was 5.7 cents; and in 1907 it was about 5.75.

Mr. BONYNGE. Has the decrease in the price of lead closed down any of the lead mines in the Western States?

Mr. ALLEN. It closed down several in the State of Utah that I personally know of.

Mr. BONYNGE. Is not the same thing true of all the other Intermountain States?

Mr. ALLEN. So I have understood.

Mr. BONYNGE. Does that account for the fact that we did not, perhaps, consume all of the lead that we produced in the United States?

Mr. ALLEN. It would have a tendency that way.

The CHAIRMAN. Lead is a material that is used in the manufacture of paint?

Mr. ALLEN. Well, lead is not used for paint as much as it used to be; but it is used.

The CHAIRMAN. That is on account of the high price?

Mr. ALLEN. I do not know that. I understand it is because they have found better substitutes.

The CHAIRMAN. They have sought cheaper substitutes? Is not that correct?

Mr. ALLEN. The paint men say "better" substitutes.

Digitized by Google

The CHAIRMAN. Well, that may be on some people's houses, but not on mine. Now, they use it in plumbing, and they use it extensively for building purposes, do they not?

Mr. ALLEN. Yes, sir.

The CHAIRMAN. And it is as universally used as any metal?

Mr. ALLEN. Well, it is used commonly.

The CHAIRMAN. And the use of lead pipe in connection with electric wiring, for lighting purposes, has increased immensely, has it not?

Mr. ALLEN. I can not say on that subject. The growth of tonnage in the production of lead in the State of Utah has been very marked under the Dingley tariff. In the year 1895—I omit 1894, because it was not a normal year—there were 31,305 tons of lead produced in Utah. There has been a pretty steady increase in the production, with one or two exceptions, each year, until in the year 1907, according to the advanced leaflet of the Geological Survey, there were 61,699 tons produced. The production of this lead comes from lead ore, copper lead ore, and lead zinc ore. Then there is a very little zinc ore produced in our State which contains gold and silver, but not enough to make any appreciable variations in the computations, and I have carried that along with it. In the year 1906, upon which I have based my figures because those are more complete, we produced 125,342,836 pounds of lead or 164 pounds of lead per ton of ore, and this contained 68,340 ounces of gold or 0.089 ounces of gold per ton. This lead also carried with it 9,406,758 ounces of silver, or 12.27 ounces of silver per ton. That is, 82 per cent of the silver produced in Utah came from lead ores. Between 26 and 27 per cent of the gold produced in the State came from the same source. The average value of the metals produced in lead ores in that year from this State were as follows: Lead, 5.7 cents per pound; gold, $20.67 per ounce; silver, 67 cents per ounce.

The value of the contents per ton was: Lead, $9.32; gold, $1.84, and silver, $8.22, making a total value of each ton of lead ore produced of $19.38.

It cost the miner to produce this ore as follows: Ten per cent deduction from the price of lead cost him 93 cents, and 5 per cent deduction from the price of gold cost him 9 cents per ton; 5 per cent deduction from the price of silver cost him 41 cents; average wagon and railway haul cost him $2.50 per ton; sampling, 50 cents a ton; smelting, $8 a ton, and mining, $3.50 a ton. Some of those figures are estimates of my own, but they are well within the facts and the sum total is conservative. The total cost, then, to the miner was $15.93, and he received $19.38 per ton, which would leave an apparent profit of $3.45 per ton. From this should be taken at least 10 per cent for writing off the property. A mine is not like a farm. The longer you mine it the less you have. The longer a farm is worked the better it should be, and any careful business man will write off at least 10 per cent of his mine each year.

Mr. CLARK. Now, Mr. Witness, do you say that a ton of lead only costs $19?

Mr. ALLEN. A ton of lead ore. That is the point I spoke of awhile ago. I am talking about lead ore.

Mr. CLARK. How much lead is there in it?

Mr. ALLEN. Eight per cent, on the average for that year.

Digitized by Google

Mr. CLARK. I thought you said a ton of lead cost that.

Mr. ALLEN. Lead ore.

Mr. CLARK. I was going to ask you what about the man who testified here that it cost $50 the other day?

Mr. ALLEN. If we take off, then, the 10 per cent for amortization, as it is sometimes called, we have $3.10 per ton for each ton of ore mined in 1906, which comes to the miner. But during this year the price of lead was abnormally high—about a cent and a half higher than it has averaged during the last fifteen years. The price of lead to-day is 4.3 cents per pound. In 1906 it averaged 5.7. We can not expect, on the average, that lead will be much more than 4.3 per pound, even with the present tariff. If we take the difference between the price of lead in 1906 and the price of lead to-day it would reduce the profit per ton on the ore produced that year $2.25 per ton—$2.29 to be exact.

There is another thing: When this lead ore was produced the average value of silver was 67 cents an ounce. To-day it is 50 cents, or less. That represents a loss on each ton of ore, of the same average value as we produced in 1906, of $2.09.

Mr. BONYNGE. How much silver is there in the lead ore?

Mr. ALLEN. 12.27 ounces. So that if these two reductions in the value of the tonnage produced in 1906, or a similar tonnage, should come at the same time, it would more than wipe out all the profit that was made upon the 766,530 tons of lead ore produced in Utah in 1906. And under the conditions which now exist, and the relative value of labor in Mexico and Utah, the miners of Utah wish to ask this committee that the tariff on lead be not interfered with.

Now, one word upon the subject of Mexican labor. It is sometimes called incompetent. In some branches it is the most competent mining labor in the world. There is no man who knows ore as well as the Mexican. There are no set of men in the world that will sort ore equally with the Mexicans. They will not, under their own leadership, do as much work in a day as the American miner, but under the leadership of American bosses, and through the introduction of American machinery and American methods, the Mexican miner to-day is approaching nearer to the ability of the American miner than he did ten years ago; and his wages have not increased.

Mr. CLARK. Mr. Allen, you do not undertake to say that a Mexican can do as much work in a day as a man of your size or a man of my size, do you?

Mr. ALLEN. I did not say that.

Mr. CLARK. That is what your statement would amount to.

Mr. ALLEN. No, sir; I did not say that. I said that under American leadership, and with American machinery and appliances, Mexican labor had approached the capacity of American labor.

Mr. CLARK. Under any leadership whatever, or any circumstances whatever, a man of the size of the average Mexican never can be made to do as much work as men of your size or men of mine, can he?

Mr. ALLEN. Well, I will take a little Cornishman and do as much work with him as I will with you or me.

Mr. CLARK. I beg leave to differ with you. A man's physical strength surely has something to do with the amount of work he can do.

Digitized by Google

Mr. ALLEN. Another thing, the Mexican works from nine to thirteen hours a day and the miners in the intermountain regions work eight hours per day.

Mr. CLARK. Yes; I understand that, too.

The CHAIRMAN. How much did you say the entire cost of mining per ton was?

Mr. ALLEN. $3.50.

Mr. BONYNGE. No; he asked you for the entire cost of mining per ton.

The CHAIRMAN. The entire cost of mining per ton in Utah—the labor cost.

Mr. ALLEN. The cost of mining is $3.50 a ton.

The CHAIRMAN. How much does the lead, in the ore—I mean the rough ore—cost at the mouth of the mine after it is elevated?

Mr. ALLEN. $3.50 per ton.

The CHAIRMAN. How far do you have to take that to smelt it?

Mr. ALLEN. It costs on the average, in the State of Utah, $2.50 a ton to lay that down at the smelter—that is, wagon and freight haul; and as a rule both hauls are necessary. Sometimes the wagon haul is overcome by tramways or some other device.

The CHAIRMAN. What do you want with a $35 duty on that?

Mr. ALLEN. I have shown that if the reports of the United States are correct, the miners of Utah in 1906 barely scraped through. I have shown that with the present price of lead, which is the average price for the last fifteen years, the profit of $3.10 which we made in 1906 would be reduced to an average of 85 cents per ton. The miners of Utah have not been becoming very rich on this proposition.

The CHAIRMAN. Who does this smelter belong to, that you sell to?

Mr. ALLEN. There are two lead smelters in Utah at present—three lead smelters. One is owned by the American Smelting and Refining Company, and one by the United States Smelting Company, and one by—well, that is called an independent smelter, at Tintic.

The CHAIRMAN. You say it is called so. You do not think it is?

Mr. ALLEN. They are all independent of each other.

The CHAIRMAN. Is there any competition on the price of lead ore?

Mr. ALLEN. Yes, sir.

The CHAIRMAN. Do they underbid or overbid each other?

Mr. ALLEN. They have been doing so.

The CHAIRMAN. They have done so?

Mr. ALLEN. Yes, sir.

The CHAIRMAN. How long ago?

Mr. ALLEN. This year, and last year, and the year before.

The CHAIRMAN. What do they get for their product?

Mr. ALLEN. I do not know that I understand your question.

The CHAIRMAN. What do they get for the lead, the big lead, in sheets, that they manufacture? What do they get for the lead?

Mr. ALLEN. They sell it in the market.

The CHAIRMAN. Lead bullion. Now I have got it.

Mr. ALLEN. They sell it in the market at New York at whatever is the prevailing price.

The CHAIRMAN. What is the prevailing price to-day?

Mr. ALLEN. Four and three-tenths was the last quotation I saw.

The CHAIRMAN. That is $86 a ton.

Digitized by Google

Mr. ALLEN. We sell it to them at 10 per cent off. That is the reason I figured 10 per cent off of the price to show what it cost the miner. They pay us for 90 per cent of the lead in the ore, and pay the New York quotation less whatever the contract is—$1.25 a hundred pounds, say.

The CHAIRMAN. What regulates that contract of $1.25 a ton?

Mr. ALLEN. Well, one miner likes his contract drawn one way, and another another. They all get about the same thing, but there will be variously worded contracts.

The CHAIRMAN. That does not explain that $1.25 a ton. That is what I am after.

Mr. ALLEN. Oh, that is freight to New York.

The CHAIRMAN. And what is the Mexican price——

Mr. ALLEN. I said $1.25 a hundred, Mr. Payne.

The CHAIRMAN. Yes. What is the Mexican price for lead in ore landed in the United States?

Mr. ALLEN. Well, under the tariff——

The CHAIRMAN. Before the duty is paid, I mean.

Mr. ALLEN. Before the duty is paid, it is usually about a cent and a half under ours.

The CHAIRMAN. One cent and a half, what?

Mr. ALLEN. A cent and a half a pound less.

The CHAIRMAN. A cent and a half a pound less than yours?

Mr. ALLEN. Yes, sir.

The CHAIRMAN. How much is yours a pound?

Mr. ALLEN. Well, at present ours is 4.3 cents.

The CHAIRMAN. I mean the lead in the ore, before it has been smelted, landed in the United States.

Mr. ALLEN. That is what I mean. The purchase is made on the basis of the New York price, but the smelter man takes off 10 per cent for loss in smelting, and then he takes——

Mr. CALDERHEAD. And then pays for the lead that is in the ore.

Mr. ALLEN. If there are 400 pounds of lead they pay for 360 pounds, and then they make a further reduction on the average, say, of $1.25 per 100 pounds—one cent and a quarter a pound—which covers at least the cost of freight to the coast.

The CHAIRMAN. The cost of transportation?

Mr. ALLEN. Yes, sir; and the silver is bought on the same basis.

The CHAIRMAN. Then the Mexican lead is landed at the port, say, at 1.9 cents a pound? Is that about right?

Mr. ALLEN. No; it costs them about 2½ cents to 3 cents.

The CHAIRMAN. The Mexican lead? Well, the government reports say that it has landed at 1.9, and the duty is——

Mr. ALLEN. 1½——

The CHAIRMAN. That would be $38 a ton. The duty is $35 a ton, for a ton of lead in the ore——

Mr. ALLEN. No; the duty is 1½ cents a pound.

The CHAIRMAN. 1¾, is it not?

Mr. BONYNGE. No; it is 1½.

The CHAIRMAN. That is right—$30. That is $68 a ton. Is that a good deal more than yours cost you? [A pause.] Well, that is all.

Mr. CLARK. Mr. Allen, how much silver do you say there is in a ton of this lead ore?

Mr. ALLEN. The average for the year I gave was 12.27 ounces.

Digitized by Google

Mr. CLARK. And if they had not demonetized it, it would have been 25, would it not?

Mr. ALLEN. Well, I do not like to go into the question of the demonetization of silver.

Mr. CLARK. That is a plain, easy question to answer now.

Mr. ALLEN. It would have been 129.29, if they had remonetized it.

Mr. CLARK. If they had never demonetized it, it would have been worth twice what you have said here to-night, would it not?

Mr. ALLEN. More than that.

Mr. CLARK. And you people out there helped to demonetize it.

Mr. ALLEN. No; we did not.

Mr. CLARK. I want to ask you another question. What makes you ship your lead to New York? Is there not any place in America to ship things to except New York?

Mr. ALLEN. We do not.

Mr. CLARK. Why did you keep counting it on a New York basis, then?

Mr. ALLEN. Because that is the way we have to settle for it. We sell it to the smelter. The smelter buys it on certain terms. Two of the requirements, so far as lead is concerned, that are never varied from, are, first, that there shall be 10 per cent taken off, attributed to losses in the smelter; and the second is that we will pay a certain amount off of the price on the day of quotation, which is attributed to freight. The smelter gets the lead and does what he pleases with it. The great selling agencies are in New York. Therefore it is sent to New York.

Mr. CLARK. And the smelter pays you what he pleases for the ore, too. That is the nub of the whole business, is it not?

Mr. ALLEN. No; the smelters in Utah—Utah is the best smelting point in the United States——

Mr. CLARK. Who owns it, Guggenheim?

Mr. ALLEN. The American Smelting and Refining Company own one plant and the United States Refining, Smelting and Mining Company own another plant, which have been in competition with each other for some three or four years now.

Mr. CLARK. You can not make lead in Utah nearly as cheaply as they can in Missouri, can you? That is one of your difficulties, is it not?

Mr. ALLEN. No; we do not have any difficulty with Missouri.

Mr. CLARK. You can not make lead nearly as cheaply in Utah as they can in Missouri, can you?

Mr. ALLEN. But you can not make all of the lead that is needed in the United States in Missouri.

Mr. CLARK. That is true. That is the reason you do not need any tariff on it, too.

Mr. ALLEN. Well, I will not go into the philosophic question of the tariff with you.

Mr. CLARK. I will, after a while—but not to-night. Can you answer that question? It is a plain question. I can not, to save my life, understand why you gentlemen can not answer plain questions when they are asked you. You can not make lead as cheaply in Utah as they can in Missouri, can you?

Mr. ALLEN. I do not know.

Mr. BONYNGE. Is not labor higher in Utah than it is in Missouri?

Digitized by Google

Mr. ALLEN. I think it is.

Mr. CLARK. Why is it higher?

Mr. BONYNGE. It is higher in all the mountain States than it is in Missouri. There is less of it, and therefore it is higher.

Mr. CLARK. Does it not cost nearly twice as much to get a ton of lead in Utah as it does in Missouri?

Mr. ALLEN. I can not answer your question, because I do not know the relative cost.

Mr. CLARK. Did you never investigate it?

Mr. ALLEN. No, sir; I have had no interest in it.

Mr. CLARK. And you have been studying this question of lead for years?

Mr. ALLEN. I have not. I have been a lead miner.

Mr. CLARK. But you studied it from time to time while you were a miner?

Mr. ALLEN. I have not made any comparative study of lead mining in Missouri and lead mining in the West, because I was not interested in Missouri.

Mr. CLARK. Do not you lead miners talk it over among yourselves that they can get lead out of the ground cheaper in Missouri than in any other place in America?

Mr. ALLEN. We know you can get lead out of the ground cheaper than we can.

Mr. CLARK. Well, that is all I asked you.

Mr. ALLEN. No; you asked me for the comparative cost, and I can not answer that question.

Mr. CLARK. Do the silver mines down about Marysville carry enough lead to pay for working them or not, in Utah? I am partly a Utah man myself. I have money sunk out there.

Mr. ALLEN. Marysville is gold country, with some incidental silver, you know.

Mr. CLARK. No; it turned out to be silver, with incidental gold. That is exactly what is the matter with it. In the beginning it looked like it was a gold mine. Then the ore ran more gold than silver, very largely in favor of the percentage of gold; but the deeper down they got in it the more silver developed and the less gold.

Mr. ALLEN. That happens.

Mr. CLARK. I want to know if you know if the lead product of a silver mine in that region will pay for mining it?

Mr. ALLEN. I do not think there is a lead mine at all at Marysville. It is nothing but silver and gold.

Mr. CLARK. Usually silver and lead are found in combination out in that western country, are they not?

Mr. ALLEN. Usually the silver is found if you find lead, but it does not follow that you will find lead if you find silver.

Mr. CLARK. How long have you been in this lead business, do you say?

Mr. ALLEN. Oh, about twenty-three years.

Mr. CLARK. When was this particular company organized that you belong to? Are you the president of it?

Mr. ALLEN. No, sir.

Mr. CLARK. When was it organized?

Mr. ALLEN. Which one do you mean?

Mr. CLARK. If you belong to more than one, we will take them one at a time, and you name them.

Digitized by Google

Mr. ALLEN. I am manager of five different properties.

Mr. CLARK. How much money is invested in all five properties?

Mr. ALLEN. I do not believe I can answer that question, because I have not had the records. I know there is one—but that is not a lead mine. You would not care for that. You want the lead mines alone. The Old Jordan lead mine is capitalized, I believe, for $1,500,000.

Mr. CLARK. How much money did you make out of it last year?

Mr. ALLEN. We did not make a cent.

Mr. CLARK. How much did you make in 1907?

Mr. ALLEN. That was last year.

Mr. CLARK. In 1906?

Mr. ALLEN. Not a cent.

Mr. CLARK. You had better give it away, then.

Mr. ALLEN. No, sir.

Mr. CLARK. What are you keeping it for, if you can not make money out of it?

Mr. ALLEN. Because we are making money now.

Mr. CLARK. How much are you making now?

Mr. ALLEN. I do not know that I am at liberty to say that. I am a servant. We made a little profit last month, and we will continue to make some. Now, I will explain to you, Mr. Clark, that up to about September of this year we were prospecting and developing the mine and getting ready. It is an old mine which we were redeveloping, and we have now got it in shape so that it will pay under the basis of, say, 4.3 or 4½ cents per pound for lead.

Mr. CLARK. Is not the lead-mining business the best business in Utah?

Mr. ALLEN. I would rather have a good copper mine.

Mr. CLARK. You would rather have a gold mine that ran 98 per cent gold, too, I guess. Well, that is all. If you will not tell, all right.

Mr. HILL. Are the Mexican ores silver and gold bearing?

Mr. ALLEN. Usually they are quite rich in silver. They are sometimes low grade in silver and not usually rich in gold, but carrying some.

Mr. HILL. Are they carried to the smelter and smelted there?

Mr. ALLEN. I think that most of them are smelted at El Paso, if they come across the border.

Mr. HILL. Do the same companies smelt them that smelt them in Utah, and do they pay the same price?

Mr. ALLEN. The American Smelting and Refining Company own the El Paso plant.

Mr. HILL. Do they pay the same price in El Paso that they pay in Utah?

Mr. ALLEN. I do not know, of my own knowledge. I know that one of the men told me in Mexico that there is great complaint that they do not have as good a smelting rate as we have in Utah.

Mr. HILL. You said the rate was $8 a ton in Utah. Did you mean a ton of ore or a ton of lead?

Mr. ALLEN. A ton of ore.

Mr. CLARK. And you said you got 160 pounds of lead from a ton of ore?

Mr. ALLEN. On the average, in 1906, we got 164 pounds of lead from each ton of ore.

Digitized by Google

Mr. HILL. Do you mean to tell the committee that the smelting companies charge $100 a ton for smelting the lead?

Mr. ALLEN. No.

Mr. HILL. If there are only 164 pounds of lead in a ton of ore, and they pay $8 a ton for the ore, it would make twelve and one-half times $8, or $100, for a ton of lead, or $96.32, say, and the smelter would take all the lead and part of the silver and part of the gold.

Mr. ALLEN. I understand your question now.

Mr. HILL. Is that right?

Mr. ALLEN. That is right.

Mr. HILL. The smelter does not need any protection then, does he?

Mr. ALLEN. That is the reason we do not want the tariff removed. That would protect the smelter.

Mr. HILL. I think it is protecting him rather well now. He takes all the lead there is and part of the silver and part of the gold for the process of smelting.

Mr. ALLEN. Well, that is old.

Mr. HILL. What is that?

Mr. ALLEN. That is old. We have known that for years.

Mr. BONYNGE. If you took the tariff off he would still get lead from Mexico and make the same profit, and shut down the lead mines in the United States?

Mr. ALLEN. That is the point I was making to Mr. Hill.

Mr. CLARK. If Mr. Hill's question and your answer are taken together, it absolutely makes you furnish that ore free to the smelter.

Mr. ALLEN. No, sir.

Mr. CLARK. Well, you have been paying him $4 or $5 in addition to the lead.

Mr. ALLEN. No, sir. The total value of the ore is $19.38. It costs us $15.93 to mine, transport, sample, and smelt that ore. That leaves us a profit, apparently, of $3.45. Then deduct 10 per cent of that for replacement of the mine, and we have an apparent profit of $3.10 for that year. I say apparent, because some of my figures are not absolute, but they are within the truth.

Mr. HILL. As a matter of fact, the smelter does take all the lead and part of the silver and gold just for the process of smelting, does he not?

Mr. ALLEN. No, sir; there is $9.38 difference, I say, of lead. There is $9.32 worth of lead in each ton of ore.

The CHAIRMAN. Have any of your companies been running for several years?

Mr. ALLEN. Yes, sir; they have been running——

The CHAIRMAN. Name one that has been running for the last twelve years.

Mr. ALLEN. The Silver King and the Daily West have been running ten years.

The CHAIRMAN. Can you get the total pay roll for the Silver King for the first six months of 1906 and the total output of the mines from your books?

Mr. ALLEN. I did not understand your question. We do not own that mine. I do not know whether I could get those things.

The CHAIRMAN. Do you own or do you have any control of any mine whatever, or are you interested in any mine? [Laughter.]

Mr. ALLEN. Yes, sir.

Digitized by Google

The CHAIRMAN. Any mine that has been in operation for ten years?

Mr. ALLEN. Not a lead mine.

The CHAIRMAN. How long has the oldest of them been in operation—of your lead mines? Is there any reason why you should conceal this? Why do you not answer up?

Mr. ALLEN. I am not concealing anything, and I do not wish to have it assumed that I am. I say we have not any property that has been running that length of time.

The CHAIRMAN. How long is the longest time any of your property has been running?

Mr. ALLEN. As I stated to the committee, we have been prospecting in our lead mine in Utah.

The CHAIRMAN. In all five of them?

Mr. ALLEN. There is only one of them that is a lead mine.

The CHAIRMAN. I thought you said you had five or six that you were the superintendent of.

Mr. BONYNGE. They are not all lead mines.

The CHAIRMAN. You were talking about lead mines. Well, then, there is only one lead mine, and that you have been prospecting in?

Mr. ALLEN. That is what I have stated.

The CHAIRMAN. Have you ever had any actual experience with a lead mine?

Mr. ALLEN. Yes; I have.

The CHAIRMAN. Is there any gentleman in the room who has had?

Mr. ROZIER. I think I can give you some figures, Mr. Chairman.

BRIEF FILED BY C. E. ALLEN, SALT LAKE CITY, RELATIVE TO LEAD INDUSTRY.

WASHINGTON, D. C., *November 27, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The following statement of facts pertinent to lead mining in Utah is submitted to the Ways and Means Committee of the House of Representatives by the Mine Operators' Association of Utah:

Tonnage of lead ore mined in Utah and reduced in the United States by smelting companies therein.

Year.	Tonnage.	Year.	Tonnage.
1894	23,190	1901	49,870
1895	31,305	1902	53,914
1896	35,578	1903	51,129
1897	40,537	1904	56,470
1898	39,299	1905	44,996
1899	29,987	1906	56,260
1900	48,044	1907	61,699

The following facts concerning the contents and value of the lead, lead-zinc, copper-lead-zinc, and zinc ores are for the year 1906, and

Digitized by Google

are taken from "The production of gold and silver in 1906," issued by the Department of the Interior, U. S. Geological Survey.

The term "lead ore" will be used to cover all these ores because the tariff affects all and the purely zinc ores are so small in quantity that their inclusion does not materially change the result.

In 1906, 766,530 tons of lead ores were mined in Utah.

These contained the following: 125, 342.836 pounds of lead, or 164 pounds per ton of ore; 68, 340 ounces of gold, or 0.089 ounce per ton; 9, 406,758 ounces of silver or 12.27 ounces per ton.

The average values of the metals for the year were: Lead, 5.7 cents per pound; gold, $20.67 per ounce; silver, 67 cents per ounce.

The value of the contents per ton was: Lead, $9.32; gold, $1.84; silver, $8.22; total, $19.38 per ton.

It cost the miner to produce this ore as follows:

10 per cent deduction from price of lead	$0.93
5 per cent deduction from price of gold	.09
5 per cent deduction from price of silver	.41
Wagon and railway haul	2.50
Sampling	.50
Smelting	8.00
Mining	3.50
Total	15.93

This leaves an apparent profit of $3.45 per ton. From this should be taken at least 10 per cent for writing off the capital invested. This leaves an apparent profit of $3.10 per ton.

During this particular year the price of lead was abnormally high. The price of lead to-day is 4.3 cents per pound and is near its normal price, as shown by the record of the six years previous to 1906. Therefore the lead miner would have received about $2.25 per ton less for his lead in 1906 had it been a normal year.

Silver is now 17 cents per ounce cheaper than it averaged during 1906. This would represent a loss of about $2.09 per ton on the ore of 1906.

It is respectfully submitted that any reduction in the lead schedule would be an injustice to the producers in Utah.

The following statistics are compiled from the reports of the United States Geological Survey, Mineral Resources of the United States, years 1890 to 1906, and from chart issued by the Department of the Interior, United States Geological Survey, for the years 1898 to 1907, inclusive, under direction of Edward W. Parker, statistician in charge of mineral resources, and from bureau of statistics, State of Utah, and from market quotations, as per Engineering and Mining Journal, New York City.

The chief sources, rank, and production of lead in the United States for the year 1907 are as follows:

Total production, 365,166 short tons, divided as follows:

	Rank.	Percentage.	Tons.	Value.
Idaho	First	33.7	123,061	$13,044,460
Missouri	Second	31.9	116,488	12,347,723
Utah	Third	16.2	59,157	6,270,630
Colorado	Fourth	14.5	52,949	5,612,601
Miscellaneous		3.7	13,511	1,432,182
Total		100.0	365,166	38,707,596

Digitized by Google

Average price of lead in New York for the year 1907, $106.50 per short ton, 5.325 cents per pound.

Average price in London for the year 1907, £19.034 per long ton, on basis exchange, $4.84; $82.26 per short ton, 4.113 cents per pound.

Average price of lead in New York for first nine months of 1908, $83.35 per short ton, 4.167 cents per pound.

Average price in London for the same period was £13.467 per long ton, $58.20 per short ton, 2.91 cents per pound.

Present price lead, New York, 4.3 cents per pound; present price lead, London, equals 2.9 cents per pound (£13 8s. 9d.=£13.437 at $4.84).

Average price lead, 1890–1892, in New York, 4.252 cents per pound; average price lead, 1894–1897, in New York, 3.207 cents per pound (1893 abnormal year, due to panic); average price lead, 1898–1907, in New York, 4.595 cents per pound.

Lead imports into United States, years 1890–1892, inclusive.

	Pounds.	Value.	Average price per pound.
			Cents.
Ore and dross	106,007,634	$2,902,248	2.738
Pigs and bars	24,278,566	808,808	3.331
Sheets, pipe, and shot	515,974	24,204	4.69
Not otherwise specified		3,803	
Total	*130,802,174	3,739,063	

* 65,401 tons.

Lead exports from the United States, years 1890–1892, inclusive.

Manufactures of lead	$509,292
Pigs, bars, and old lead	None.

Lead imports into the United States, years 1894–1897, inclusive.

[Year 1893 abnormal because of panic.]

	Pounds.	Value.	Average price per pound.
			Cents.
Ore and dross	146,937,389	$2,291,696	1.56
Pigs and bars	175,321,743	3,453,533	1.97
Sheets, pipe, and shot	363,080	14,940	4.14
Not otherwise specified		2,970	
Total	*322,623,124	5,763,139	

* 161,312 tons.

Lead exports from the United States, years 1894–1897, inclusive.

Manufactures of lead	$995,995
Pigs, bars, and old lead	757,546
Total	1,753,541

Digitized by Google

Lead imports into United States, years 1898–1906, inclusive.

[1907 statistics not available.]

	Pounds.	Value.	Average price per pound.
			Cents.
Ore and dross	21,226,261	$4,253,163	2.004
Pigs and bars	85,075,540	2,596,246	3.052
Sheets, pipe, and shot	1,172,454	50,036	4.267
Not otherwise specified		28,815	
Total	*107,474,281	6,928,260	

* 53,737 tons.

Lead exports from the United States, years 1898–1906, inclusive.

Manufactures of lead	$4,197,223
Pigs, bars, and old lead	623,166
Total	4,820,389

Sources and quantities of imports of lead, year 1906.

	Pounds.	Total pounds.	Tons.
Refined pig lead:			
United Kingdom	9,852,760		
Germany	2,006,369		
Other European countries	3,920,313	15,779,442	7,890
Ore and base bullion:			
British North America	18,514,244		
Mexico	133,512,526		
South America	315,265	152,342,035	76,171
Miscellaneous other countries		147,462	73
Total		168,268,939	84,134

Of the above 69,789,418 pounds (34,895 tons) was imported and entered for consumption, valued at $1,738,296.

Summary of general statistics, lead industry, year 1906.

(In short tons.)

Production (350,153 tons, at $114 per ton)	$39,917,442
Imports entered for consumption (34,895 tons)	1,738,296
	41,655,738
Exports deducted	775,776
Net value for year	40,879,962

The United States ranks first in the production and first in the consumption of lead, producing 35.3 per cent of the world's production and consuming 37 per cent of the world's production.

The mines of Spain, England, and Germany furnish the bulk of European product of lead.

Digitized by Google

Average prices of lead and silver 1890 to present.

	Lead per pound.	Silver per ounce.
	Cents.	*Cents.*
1890-1892 [a]	4.272	96.71
1894-1897	3.207	64.17
1898-1907	4.595	60.11
1908 (first nine months)	4.167	53.84
Present price	4.300	49.87

[a] 1893 was an abnormal year, due to panic.

Utah's lead production, 1907, 59,157 tons; Utah's silver production, 1907, 11,925,480 ounces.

Repeal of tariff coupled with present low price of silver will mean loss to the State of—

Lead, 60,000 tons yearly, at $30 per ton	$1,800,000
Silver, 12,000,000 ounces, at 14 cents per ounce	1,680,000
Total	3,480,000

A complete shut down would mean a loss to the State of—

60,000 tons lead yearly, at $86 per ton	$5,160,000
12,000,000 ounces silver, at 50 cents per ounce	6,000,000
100,000 ounces gold, at $20 per ounce	2,000,000
12,000,000 pounds copper, at 13 cents per pound	1,560,000
Total	14,720,000

and would throw out of employment 10,000 men directly engaged in the lead mining, milling, and smelting industry, earning an average yearly wage of $1,000 each, or $10,000,000, and men in allied employments, such as railroads, agriculture, merchandise, assaying, sampling, and coal mining, earning an average yearly wage of $1,200 each, or $12,000,000.

Mexico produces yearly base bullion amounting in 1906 to 89,497 metric tons, 80,000 short tons, and annually exports to El Paso, Tex., smelter about 150,000 tons of ore, averaging 15 per cent lead, producing 22,500 short tons of lead metal.

Mexican investments in mines by American capital is upward of $100,000,000.

The following statement of wages of mine workers in Mexico is taken from House document, volume 66, Tariff Hearings, volume 1, Fifty-fourth Congress, second session, 1896–97.

	Mexican money.	United States money.
Miners	$0.75 to $1.00	$0.37½ to $0.50
Mine bosses	1.25 to 1.50	.62½ to .75
Hoister runners and pump men	1.25 to 2.00	.62½ to 1.00
Common mine labor	.50	.25

Wages have not increased, upon the whole, in the Republic of Mexico during the past ten years. The following statement is made on page 404 of Document 145, part 5, issued by the International Bureau of American Republics in 1904:

But it is true that with the great mass of Mexican laborers there has been but little, if any, change in the amount of wages paid.

Digitized by Google

The following is the statement of wages paid mine labor in the intermountain States of the United States: Shaft men, $4 to $5 per day; blacksmiths and carpenters, $4 to $5 per day; engineers, $3.50 to $5 per day; miners, $2.75 to $4 per day; laborers, $2.50 to $3 per day.

Mine labor in Spain is about 25 per cent less than similar labor in Mexico.

Many lead mines in Mexico now closed could be reopened with a market for base bullion.

Mexican lead can be put into the United States for 2¼ cents per pound, which price would be prohibitive with the American miner having the present low price of silver (about 50 cents) to contend with.

Where formerly lead was considered a by-product, it is now the primary metal mined for in Utah, with silver as the by-product.

Respectfully submitted.

C. E. ALLEN,
Representing Lead Mine Operators' Association of Utah.

STATEMENT OF EDWARD A. ROZIER, OF FARMINGTON, MO., REPRESENTING THE LEAD PRODUCERS OF SOUTHEASTERN MISSOURI, WHO TREATS OF LEAD ORE AND PIG LEAD.

FRIDAY, *November 27, 1908.*

Mr. ROZIER. Mr. Chairman and gentlemen of the committee, I appear under this paragraph 181 in behalf of the lead producers of southeastern Missouri. That industry is at least the second largest natural resource within the State of Missouri. Now this committee, I see, is undertaking to get at some of the facts of the lead-mining business.

The CHAIRMAN. We would like to get at all of them.

Mr. ROZIER. I will try to give all of them within my power. We will start out with this proposition: That the entire production of the world in lead in metric tons is 950,000 metric tons.

The CHAIRMAN. Can you not reduce that to United States?

Mr. ROZIER. I can do it roughly. That would amount to 1,045,000 short tons. The production of the United States in 1907—and this production that I refer to is of 1907—was a little over 350,000, perhaps 356,000, short tons, some of the statistics differing a little as to the amounts.

Now, southeast Missouri in 1907 produced 108,500 tons. In other words, the United States produced 32 per cent of the entire production of the world in the past year; and that is substantially the percentage produced by the United States in the ten previous years. Southeast Missouri produced 30 per cent of the production of the United States. So I feel that the people of my section of the State are entitled to at least reasonable consideration of their interests in this matter.

To begin with, the ore in southeast Missouri is solely a lead proposition. We have no by-products in the manufacture and mining of lead. It is simply lead and nothing else. The lead in that section is found originally in the form of galena, near the surface. That has

Digitized by Google

existed in perhaps five or six of the counties adjoining St. Francois County, which is now the center of the lead-mining district in southeast Missouri. But these surface minings have always amounted to only a very small portion, and during the last few years surface mining in galena ore has not exceeded 4.000 or 5,000 tons. Substantially the product of my section of the State is what is called disseminated lead ore. It is not found on the surface, but is found invariably in deep mining. The shafts average from 325 to 575 feet.

To start with, that disseminated ore is found associated with lime rock, and the percentage has uniformly been from 4 to 10 per cent of lead product out of that disseminated rock. I may say, taking the general average of the district for many years, that not exceeding 5 per cent of metallic contents have ever been mined and smelted from the ore that was handled. In other words, we start out with this proposition, that for every ton of ore that is mined from 300 to 575 feet in the bowels of the earth we have extracted about 100 pounds of lead.

I beg to call the chairman's attention particularly, because I am afraid that he is laboring under some misunderstanding as to the duty upon lead and lead ore, to this fact. I appear here on behalf of lead ore and pig lead. The duty, as provided by the Dingley bill, is not $30 a ton on lead ore. It is 1½ cents a pound upon the lead contents in the ore. Now, Mr. Chairman——

The CHAIRMAN. I agree with you on that.

Mr. ROZIER. But not in the figures that you gave.

The CHAIRMAN. I said $30 a ton on the lead in the ore.

Mr. ROZIER. You had a figure here of $69 duty on a ton of ore——

The CHAIRMAN. There is no mistake about what the duties are.

Mr. ROZIER. In the ore we handle (our 5 per cent ore), if we are meeting competition from Mexico, it would mean that the Mexican ore would pay $1.50 duty—not $30. The ore we produce would simply be protected by $1.50 a ton.

Now, let us consider for a moment this matter of ore that is disseminated. It must be first mined by expensive shafts. Most of the mines there are accompanied by large amounts of water, requiring the installation of quite expensive pumping machinery. In some cases 6,000 gallons a minute are required to be pumped out of one shaft in order to keep the mine unwatered.

The ore is first mined and broken out of a drift, and thereafter hauled by approved machinery to a hoisting apparatus. It is hoisted, and there put into a concentrating mill built upon the grounds. The ore first passes through crushers, where it is crushed or broken. It thereafter passes into steel rolls, where it is broken up into smaller particles. Following that it passes over jigs and over tables, and with the aid of water, by the process of gravity, the lead contents are separated from the lime rock. Following that process this concentrate must be either calcined or roasted by a separate process. That concentrating process makes the ore about 40 per cent of metallic contents. The calcining or roasting of it makes about a 60 per cent mass. Then this must be smelted by either the reverberatory or some form of open-hearth furnace. The committee will see that with the number of processes I have indicated, and with the table of wages paid in St. Francois County and the adjoining counties, the labor cost of wages paid by the United States, as compared with the labor cost in Mexico, would more than equal a difference of $1.50 against the United States.

Digitized by Google

I anticipate that some one of you gentlemen is going to ask me for precise figures as to the cost of mining of a ton of ore. That is a complicated problem. I will, in a general way, indicate the character of mining in my section. The mining done there can not be done on a cheap scale. It is an expensive district. It requires the investment in every case of not less than $1,000,000 and up to $3,000,000, $4,000,000, or $5,000,000 to operate a mine with this low-grade ore. To start with, the person who is intending to operate a mine there must have a large body of land, because the ore is found somewhat in blanket form, and it does not take long to exhaust an acre of ground. Therefore the intending miner must have a sufficient body of land to warrant the building of expensive machinery. In the next place, the shaft must be of sufficient size, and must be equipped with all the best forms of energy that can be applied in order to economically handle it. The mines are worked with compressed-air drills. The drifts are equipped with railways, with cars pulled by compressed-air locomotives. The hoisting shafts are all equipped with electricity. The concentrating mills that I speak of have a large capacity, and the history of the district is that no plant has succeeded that has not been able to treat at least 1,000 tons of ore every twenty-four hours.

Now, gentlemen of the committee, I think that I have fairly indicated to you the general average of the mining in my section of the State as to the physical characteristics there, and the necessity of large outlays of money and large outlay for prospecting. I had almost omitted the matter of prospecting. Of course the ore is found not less than 300 feet under the ground. The district will not permit the hunting of that ore by drifts. The method of locating the ore is with diamond drills from the surface, so that each mine owner has to continually keep at work a corps of men using diamond drills, prospecting the ground ahead of him.

In a general way I will speak of the cost of labor in the district. The cost of labor in our district has been a progressive price. We have found that with each year the price of labor to the mine owners has increased. I have a table which I will file with the committee, and I am not going to worry this committee now by going at too great length into a discussion of the figures bearing upon this matter. But I have a table, beginning in 1870, which gives the price paid to the workmen in these mines. It does not only do that, but it shows the production of the United States in short tons. It shows the consumption in short tons, the New York price, the London price, and, as I said, the wages of the two classes of miners used there from 1870 down to 1907. Incidentally, it also shows the change of duties during the varying times.

Now, addressing myself to just one proposition here, I indicate that, following the adoption of the Wilson Act, August 27, 1894, the price paid labor in our district for drillers was $1.25, which was the average price in the years 1895 and 1896; and the back hands were paid from 90 cents to $1 for a day of ten hours. That price gradually advanced until in 1907 the drill men were paid $2.75 and the back hands $1.95—not for a ten-hour day, but for an eight-hour day, showing there a raise in wages of approximately 100 per cent—a little more than 100 per cent in the case of the back hands and almost 100 per cent in the case of the drillers. That is one of the conditions we

Digitized by Google

meet there. So it shows that our district is not in condition to have an industry which has been built up at so large an outlay of capital and in the development of which so much time has been spent, wiped off without any consideration for the wants or wishes of our people.

Owing to the lateness of the hour I will relieve you of the trouble of hearing all of the general remarks I had intended to make, but there are one or two matters that have come before the committee to-night as to which I would like to correct an impression that seems to have arisen; that is as to the importations and the exportations of lead from the United States. I think Mr. Payne read some figures in which the statement was made that the exports of the United States were some 80,000 tons. We have a provision of the law by which the smelters of——

Mr. BONYNGE. Eighty million tons.

Mr. ROZIER. No; I think he said 80,000 tons.

Mr. DALZELL. These are the figures that are given out by the Treasury Department.

Mr. ROZIER. I am not disputing that those figures were given.

The CHAIRMAN. These are the official figures.

Mr. ROZIER. But what I wish to say is that under the provisions of the Dingley Act those smelters of the West who were interested in getting wet ores for smelting purposes were permitted to import Mexican ore and to reexport that ore to the extent of 90 per cent, giving bond in the meantime that they would so reexport. As a matter of fact, of the domestic lead produced in the United States in 1907 there was only 55 tons exported. I think an examination of the figures will demonstrate that.

The CHAIRMAN. I remember that provision of the law very well.

Mr. ROZIER. But the exporting——

The CHAIRMAN. It refers to ore smelted in bond.

Mr. ROZIER. But the export consisted almost entirely of the ore that was imported in bond for smelting purposes and reexported; so that of the domestic lead only 55 tons were exported, and in the two or three previous years not exceeding 100 tons.

The CHAIRMAN. They do not pay duty on that when it is in bond at all, so that that does not enter at all into this report of lead that pays a duty.

Mr. ROZIER. No; but the statistics show that in the smelting of that ore they are able to save 97 per cent of its lead contents and retain for their own benefit, free of duty, about 7 per cent of the importation; so that in reality their importation of lead-bearing ores has permitted them to retain something like 11,000 to 12,000 tons in the United States of foreign ore, upon which no duty has been paid. So I say that that is a point that emphasizes that the United States is not an exporter of lead, nor, in reality, is it a very large importer of lead. Up to the year 1907 the United States consumed all of its production, and in the year 1907 there was a shortage of consumption of about 50,000 tons; and that is represented by the stock on hand at the end of 1907—50,000 tons, stock on hand.

Now, I want to say just some few words about southeast Missouri and this lead business. I desire to call the attention of this committee to St. Francois County especially. That is substantially the center of the lead industry in southeast Missouri, because it produces 92 per cent of the lead that is produced in southeast Missouri. It is produced substantially in a district about 18 miles long by a

Digitized by Google

mile and a half wide, all being in that district. If the committee is interested in the names of the lead companies, I can give the names. We have lead companies having in excess of $20,000,000 capital. We have five or six what may be called cities, built up as a result of the establishment and operation of these companies. We have the city of Bonne Terre, with a population of 8,000; Flat River, with a population of 6,000; Elvins, with a population of about 3,000; Desloge, with a population of 3,000; Doe Run, with a population of 2,500; Leadwood, with a population of 3,000 people; Esther, with a population of about 1,200; and St. Francois, immediately joining, with about 1,500 people.

I say to this committee that those six or seven places that I have just named are absolutely dependent upon this lead industry, and to strike down the lead industry would mean that every one of these places would have to be abandoned for all purposes, because the land on which these mines are located is hardly worth cultivating for agricultural purposes. There they are employing about 6,500 miners, receiving, as I have indicated, wages ranging from $2.25 for ordinary miners to about $1.70 for the laborers.

The CHAIRMAN. Did you state that in your brief?

Mr. ROZIER. I will not detain the committee but a moment or two longer, and I only do that to make one additional point. That is upon the idea that the people of my county have somewhat of a vested interest in the duty which has permitted the present development. I make that, perhaps, as a rather bold and original suggestion. But it does seem to me that when people have invested their money upon the faith of existing legislation, and the party that has enacted that legislation is returned to power, we are entitled to at least feel that we have a substantial vested interest.

The CHAIRMAN. It is not necessary to go into that and allege any implied contract. There is none.

Mr. ROZIER. Oh, I understand that.

The CHAIRMAN. Every Congress is perfectly free.

Mr. ROZIER. Absolutely.

The CHAIRMAN. But this committee does not propose, knowingly, to strike down an industry for the lack of a fair protective tariff. At the same time I will say (speaking for myself) that we do not propose to continue this duty upon lead until we are satisfied that it is a necessary protective duty. And I think it would throw light upon that subject if you could furnish figures showing the cost per pound of mining there in your district. You say it is difficult. It does not appear to me that there is any difficulty, with proper bookkeeping, in showing the number of tons taken out for a definite period and the wages paid out during the same period. That is an easy proposition, or should be, in a well-conducted company. We would like, also, definite information as to the cost per ton (and I would rather say "lead in the ore" than "ore," because there are different qualities; they are different propositions) of mining in Mexico. Those two propositions are something that we want clear and definite information upon.

Mr. ROZIER. The suggestion that I make to the committee is this: Representing as I do here some six or seven different mines, there may be a difference in the results in each mine. One mine may for a time produce ore at a very much reduced cost as compared to what it would do at another time.

Digitized by Google

The CHAIRMAN. Give us the cost from half a dozen mines—average mines.

Mr. ROZIER. Yes. I will say, in a general way, that it costs in the St. Francois district about 3½ to 3.6 cents a pound to produce pig lead. Most of the companies mine the ore and produce the lead into pigs. That is about the cost.

The CHAIRMAN. If you can not furnish that information we will attempt to get it elsewhere.

Mr. ROZIER. Yes, sir.

The CHAIRMAN. But we are bound to get it before we get through.

Mr. ROZIER. Yes; that is all right; but of course in the limited time that we had notice of this hearing it was impossible.

The CHAIRMAN. I do not propose that these hearings on lead shall be closed to-night. I propose that there shall be a day hereafter when we can give it an adequate hearing, because it is a large and important industry and should have a fair hearing. I regret very much that the past two days have been overcrowded on the lead schedule, but we can not work any longer than 12 o'clock at night. Human strength will not endure it.

Mr. ROZIER. I appreciate that.

The CHAIRMAN. We shall be here as long to-morrow night; and it is wearisome to the flesh.

Mr. ROZIER. Yes.

Mr. CLARK. Colonel, if you will put all the facts in your brief, while you may be very much surprised to know it, it is a fact that the committee will read these hearings. We are not going to take just what we hear here.

Mr. ROZIER. I will file my brief, then. I have some very accurate data here, the preparation of which involved considerable labor. As I say, it is utterly impossible for me to give the exact cost. I have given you the approximate cost of the production of lead in the pig.

The CHAIRMAN. Just make a fair, honest effort, and do the best you can at it.

Mr. ROZIER. I will call the committee's attention to a recent work entitled "Lead and Zinc in the United States," by Ingalls, the editor of the Engineering and Mining Journal, published in the last two months. I will say that practically all of the data that I have substantially conforms to his; or rather, that he agrees with me in the notes that he appends to his estimates on the production of lead in southeast Missouri, and puts it at 3½ to 3.6 cents per pound.

The CHAIRMAN. Colonel, please add that to your brief. If we conclude that we need any more information, we may ask you to come here from Missouri again.

Mr. ROZIER. I shall be very glad to do it. I am interested in this matter.

BRIEF SUBMITTED BY EDWARD A. ROZIER, FARMINGTON, MO., RELATIVE TO LEAD INDUSTRY.

WASHINGTON, D. C., *November 27, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: Appearing in behalf of an interest that is the next largest in the productive resources of the State of Missouri, it may at

Digitized by Google

once be premised that to properly understand the relative importance of the lead industries of Missouri that one must consider the total production of leads throughout the world and the portions produced by the various countries.

The lead production of the entire world for the year 1907 was 946,910 metric tons. Of this amount the United States produced 317,568 metric tons or 350.130 short tons. The production of Missouri in 1907 was 126,343 short tons, and of this amount southeastern Missouri produced 108,510 short tons and St. Francois County, the largest individual producer within the State of Missouri and, in fact, the largest producing district in the world, produced 97,500 short tons.

The apparent consumption of the United States for the year 1907, as estimated by the mining industry for 1907, was 330,738 short tons, a falling off in the consumption of about 50,000 tons.

The United States produced in 1907, as well as a similar production for former years, 32 per cent of the entire lead produced by the whole world, and southeastern Missouri produced 30 per cent of the entire product of the United States. From figures compiled by the Metalurgische Gesellschaft, of Holland, the acknowledged authority on the metals of the world, Spain is noted as the second country in the production of lead, Germany third, Australia fourth, and Mexico fifth. It will be especially noted from the figures compiled by these people that Spain, Australia, and Mexico export their entire product. Consequently this amount of lead must always be reckoned as the distributing factor in the event that the United States by a reduction of its tariff opens a market to these countries.

I wish to be understood as appearing before this committee in behalf of producers of lead ore and pig lead and do not wish to be understood as in any way touching upon the refined product or any of the ultimate products of pig lead.

Lead ore and pig lead are in the nature of raw material and possess little immediate value for use by actual consumers until manufactured. The chief manufactures from lead ore and pig lead in the order of their relative value are white lead, shot, pipe lead, sheet lead, and alloy for type metal, Babbitt metal, solder, organ-pipe composition, and also largely used in the manufacture of litharge and red lead.

The manifest uses of these manufactures are apparent in all products of industry, paint being an absolute essential for all forms of manufacture and for use in business houses and residences. Its use in the printing trade with all its ramifications, the use in machinery and all repairs thereof, its use for telephone and electric cables and for the inclosing of wire in all conduits, its use in plumbing and in all laboratories, and last but not least, its great value in times of war, when our country must of necessity depend upon its own available output. The price to which lead advanced in 1812 was 11.16 cents per pound, and in 1864, 7.10 cents per pound.

Your attention has been called to the fact that southeastern Missouri produces more than 30 per cent of the entire product of pig lead of the United States, and, unlike any other large producing districts, the same is produced from ore only available for lead and with no by-product. I should, however, here note that the North American Lead Company and Mine la Motte, of Madison County,

Digitized by Google

do find some cobalt and nickel in small proportions and are now actively engaged in devising effective machinery and appliances to develop an infant industry in the United States in these two products. Therefore, in considering the importance of a tariff upon lead ore and pig lead, the fact that a district producing more than 30 per cent of the entire output of the United States is compelled to handle the ore for the sole and only purpose of taking out of it the lead therein and that all the labor and expense attendant upon the discovery and mining of lead in southeastern Missouri must be entirely borne by the lead product therein.

I have no desire to attempt to discuss the relative cost of the production of the argentiferous ores of the far West, nor the advantage that may accrue to the miners and producers thereof from the silver, copper, zinc, or other by-products found therein. Statistics upon this subject show that in many cases the entire output of lead accrues only as an incident to the mining of silver or copper ore. My purpose before this committee is to draw its attention to conditions incident to the mining of lead in southeastern Missouri and more particularly in St. Francois County.

The lead ore of southeastern Missouri is found either in the form of galena at or near the surface or in a disseminated form in conjunction with lime rock and at considerable depths below the surface. The entire output of the galena ore mined in southeastern Missouri will not reach 4 per cent of the production of that district, and is obtained in Washington, Perry, Jefferson, and Crawford counties in southeastern Missouri, but the relative importance of this industry is not great.

The disseminated lead ore is a low-grade ore ranging from 4 per cent to 10 per cent, and it may be safe to state that practically the entire output of southeastern Missouri may be called a 5 per cent ore considered on a metallic basis. This ore is found at depths of not less than 300 feet up to 575 feet. It must therefore be apparent that the ore of St. Francois County can at best produce only about 100 pounds of pig lead to each ton of ore mined, and this 100 pounds of pig lead at the present average market price for 1908 of $4.35 per hundred would only produce $4.35 gross.

It may not be amiss at this point to make some reference to the manner in which the ore is found and mined. In the first place, the district is perhaps 20 miles in length by a width of approximately 2 miles. The location of the ore can only be determined by drilling the surface by means of diamond drills, and the experience of the district with such diamond drilling is that it necessitates the placing of drill holes at intervals of 100 to 200 feet apart. Realizing that each hole must be drilled to a depth of about 600 feet and that the cost of drilling will average $1.25 per foot, it can readily be shown that to properly drill a tract of 40 acres will cost from forty to seventy-five thousand dollars. The ore, having been located, is reached by a shaft, usually 8 by 15 feet, and drifts run at the levels at which the ore may be found, and these ore levels are often only once, and rarely more than twice, in a given tract of land. The ore is usually mined with the aid of compressed-air drills, loaded on cars hauled by compressed-air locomotives, and lifted to the hoisting shaft, but upon reaching the surface is passed through crushers and then over steel rollers, being broken to comparatively fine particles, and then passed over

Digitized by Google

jigs and tables and, with the aid of water or by gravity, concentrated. This concentrated product must then be roasted or calcined and then smelted and made into pig lead. It must be manifest that all these processes are entirely dependent upon labor. It is true that successful mining in this district can only follow the installation of all labor-saving devices and all the economies usual to experienced miners, and I think that I can say here, without the fear of successful contradiction, that in no mining district in the world are there more complete facilities for the handling of these low-grade ore bodies than in St. Francois County. In no mines of the world have there been better attempts to make use of power, whether in the form of compressed air, electric, steam, or gas, than are to be found here.

The experience of the district has demonstrated that mining can only successfully be done by the expenditure of large capital; first, in the acquisition of a large body of land; second, in the constant exploration of same by diamond drilling to discover available ore bodies; third, the sinking of deep shafts and the equipping them with high-power pumps for the handling of large quantities of water found in the mines; fourth, the use of ample power for transmitting compressed air for drilling, for power in the compressed-air locomotives, and in the electric or steam power used in the shafts for hoisting ore; fifth, the erection of large and extensive concentrating mills, with all crushers, steel rolls, conveyers, elevators, jigs, tables, etc., of most approved pattern, and necessitating the handling of not less than 1,000 tons of ore every twenty-four hours; sixth, the construction of furnaces for roasting the concentrated product; and, finally, smelters for the reduction of the concentrates into pig lead. But through it all labor and its cost are the most important factors.

I beg to refer to a discussion of this subject on pages 211–212 of a recently published work known as "Lead and Zinc in the United States," by W. R. Ingalls, editor of the Engineer's and Mining Journal.

The mining of lead ores in St. Francois County is now conducted by the following companies: St. Joseph's Lead Company, Desloge Consolidated Lead Company, Doe Run Lead Company, St. Louis Smelting and Refining Company, and Federal Lead Company. The leading mines of Madison County are Mine La Motte, North American Lead Company, Catherine Lead Company, and the Madison Lead Company. It must not be here inferred that the mining of lead in St. Francois County or in the adjoining counties has been uniformly successful. The experience of the district shows that there are many defunct corporations lining the way to the ultimate success of the present companies. I here note the Donnelly Lead Company, the Leadington Company, the Derby Lead Company, the Union Lead Company, the Columbia Lead Company, the Commercial Lead Company, the Lead Fields Company, the Big River Company, the Flat River Lead Company, and others who led only a precarious existence—most of them meeting their downfall with the low prices that prevailed for lead in 1894–1896. Nor can it be said that the prices accruing to these companies are at all unreasonable, for they are at best only paying interest to their stockholders upon their present authorized capital stock, and in at

Digitized by Google

least one instance one of the largest mines in the district no dividends have ever been paid, although there has been an expenditure on the part of the owners of more than ten million in cash.

I invite the committee's attention especially to the prices of labor from 1870 to the present time, as shown by the tables filed with the committee, and it will then be demonstrated that the price of labor has borne a close relation to the price of lead in the markets. The low-water mark paid for ordinary labor in the district was $0.90 per day in 1895, following the adoption of the Wilson and Gorman bill when lead was sold in the New York market as low as $2.98 for the entire year and having gone as low as $2.45. The tables that will be filed with you will show that from that low-water period there was an advance in the price to labor, so that in 1907 the average wage paid for the same class of labor was $1.95 per day, with a reduction from a ten-hour day in 1896 to an eight-hour day in 1907.

Especial attention is called to the wages paid to miners in Mexico and Spain, such wages not being one-half of the scale paid here.

In discussing the price at which lead can be produced in St. Francois County, it is a most difficult problem to reach anything like exactness in figures because the conditions of different properties vary and each property has a different result at different times, owing to the character of the ore bodies and difficulty of mining and the kindred annoyances that occur in all enterprises of this character.

Mr. Ingalls in his work, Lead and Zinc in the United States, at page 12, note, placed the cost of mining lead in St. Francois County at about $3.50 per hundred in the year 1907, and this figure was without allowing anything for amortization and interest on capital invested. Therefore it may reasonably be stated that pig lead can not be produced in St. Francois County at a profit unless lead be above $0.04 per pound, or unless a decreased price can be met by a sufficient reduction in the wages of labor.

Your attention is also invited to the tables showing the relative difference in the price of lead in the London and New York markets, showing that for almost thirty-eight years, and with the exception of the period covered by the Wilson and Gorman bill, that the difference in price in the two markets approximated $0.01½ per pound, conclusively proving that a duty of about $0.01½ per pound on lead ore is necessary to preserve the industry in the United States. Your attention is also invited to the importations of lead that followed the election of Mr. Cleveland in 1892, 55,775 tons of pig lead being imported in 1895. It may be suggested that the importations hereafter were almost nominal. My answer would be that the country had at this time become so impoverished that it could not afford to import lead at any price.

By the Wilson tariff in 1903 duties were reduced with most disastrous results. Lead mines all over the country were closed and wages were reduced to a point at which it was almost impossible for laboring men to support themselves and their families. Soon after the passage of the Dingley Act, in 1897, conditions improved and a continuous advance has been made since that time both in the production of lead in the State of Missouri and in the wages paid and in the betterment of the conditions of the people at large. During the panic

Digitized by Google

of the year 1908 some reduction in both product and wages has occurred, but favorable action on the tariff will stimulate activity throughout the State and will result in a somewhat increased price, which will enable wages also to advance.

That a duty upon lead ore and pig lead does affect the price in the American market would seem to be conclusively shown by the statistics for the period 1893–1897, immediately following the enactment of the Wilson-Gorman tariff bill. We see that the price of lead in 1892 was $4.09 per hundredweight; in 1893 it was $3.73, in 1894 it was $3.29, in 1895 it was $3.23, and in 1896 it was $2.98 for the year, with a low price of $2.50, and immediately upon the prospect of an increased duty it advanced to $3.58 in 1897, and gradually advanced year by year to $5.66 in 1906. The opening price for the first six months of 1897 was $6, but with the panicky conditions has gradually gone down to about $4.45 at the present time.

The lead industry of St. Francois County employs 6,500 men, and practically all of these supporting families. No employment is given in that district to minors or women. Consequently earnings of these men go to support approximately 25,000 people. In addition to that the lead district furnished a substantial market for the farmers within a radius of 25 miles adjacent thereto, and these farmers realize from sales of their products an advance of not less than 15 per cent up to 30 per cent over the market prices in adjoining counties. St. Francois County is not a farming county, only the eastern half being available for farming purposes, and yet the statistics filed herewith show that the county more than doubled its assessed valuation, such increase of value being almost entirely due to the manufacture of lead ore in the county.

The operation of these mines is largely an aid to the farmers of the adjoining counties, which permit the boys on the farms to spend their winter months working in the mines at highly remunerative wages and then resume work upon their farms in the crop seasons. The benefit from this source alone is very considerable to the southeastern section of the State.

The consumption of lead by the United States ordinarily equals the output, and if the duty is lowered it must be solely for revenue; and consequently importations will either compel the reduction of our own production or become the disturbing element in prices, for it is, perhaps, axiomatic that the surplus is always the disturbing factor in lowering prices. Hence, by lowering the present duty on lead ore and pig lead we invite first the lowering of wages, and next diminished production.

The effect of a reduction of duty on pig lead and lead ore would not reach consumers. The principal consumption of pig lead results from the demand from manufacturers of lead products, such as white lead, sheet lead, shot, plumbers' supplies, and electric cables. Moreover, a reduction in the duties on pig lead, and particularly on lead ore, would enable both Mexico and Canada to depress lead mining in this country and stimulate it in those places. In view of the experiences of 1893 it is certain that any reduction would result principally in a benefit to foreign countries.

It would seem to be proper to call your attention to what may be denominated the vested rights of a community built solely in the

Digitized by Google

faith that existing duties which afford a sufficient protection to warrant investments in the upbuilding of an industry would continue.

Here in my county a very considerable area has been developed by the production of lead; not alone has large capital been invested therein, but two cities with a present population of more than 5,000 people, and at least three or four others with populations in excess of 2,500, have virtually sprung up as a part of this development; substantial brick business blocks have been built and thousands of residences; splendid schools have been established, carrying their pupils into the high-school grades, so that their graduates have an accredited standing in the universities of the State; two schools of domestic science have been operated (the only schools of this character in Missouri outside of the city of St. Louis); water plants and sewers constructed, and perhaps all the improvements of a modern city. All these have grown from an almost waste country, having no value for even agricultural purposes, solely as a result of the mining of lead. Shall this community built in the faith of existing legislation by that same power be snuffed out as a candle, for, I say, that the present prosperous cities of Bonne Terre, Flat River, Elvins, Desloge, Esther, Leadwood, and Doe Run would only be a habitat for the owl and the tramp if this industry be wiped out. And wiped out it will be if it must come in competition with the underpaid labor of Mexico and Spain.

Your attention is invited to the fact that from the low grade of the ore mined here considerable land is annually exhausted; hence in conceding to the capital invested a moderate return an allowance ought also to be made for the decrease of territory available and the uncertainty of mining operations.

Finally, it must be understood that the production of lead ore and pig lead in southeastern Missouri is in no way under the control of a trust. Whatever trusts may be in existence in the smelting of argentiferous ores or in the white lead or in sheet lead or cables are not chargeable to the producers of southeastern Missouri. Eighty per cent of the pig lead produced in St. Francois County is produced by independent producers who have been engaged in this business for forty years, and who take a delight and pride in maintaining their institutions up to the highest standard, both in the efficiency of its machinery as well as in the treatment of its employees. Wash rooms, with hot and cold sprays, swimmings pools, gymnasiums, schools of domestic science, libraries, and waterworks, sewers, and homes built by the companies, are a part of the efforts made by these independent producers to provide as healthy conditions for their employees as can be done.

Consequently, I desire to emphasize the fact that my appearance before this committee is in behalf of independent producers actually engaged in producing lead ore and pig lead and in behalf of the people of that section of the State, so that they may continue to obtain employment at remunerable wages under the beneficence of a Republican policy intended to better labor as well as employ capital.

Digitized by Google

Statement of prevailing tariffs on lead, United States production and consumption, prices at New York and London, and wages paid in Missouri from 1870 to 1907; also duties collected on lead and manufactures of lead from 1884 to 1907.

Tariffs on lead.[a]	Years.	United States production.	United States consumption.	Price per pound. New York.	Price per pound. London.	Wages paid in Missouri. Drillers.	Wages paid in Missouri. Backhands.
		Short tons	*Short tons.*	*Cents.*	*Cents.*		
Act of June 30, 1864.	1870	17,840	60,778	6.25	4.05	$1.75	$1.50
	1871	25,000	70,748	6.08	3.95	1.75	1.50
	1872	38,690	75,233	6.30	4.34	1.75	1.50
Pigs and bars, 2 cents per pound	1873	51,831	88,073	6.32	5.06	1.75	1.50
	1874	50,428	82,531	6.01	4.80	1.75	1.50
Sheet, etc., 2.75 cents per pound	1875	61,618	78,033	5.85	4.88	1.75	1.50
	1876	67,088	74,253	6.13	4.79	1.75	1.50
	1877	81,900	89,192	5.49	4.46	1.75	1.50
(Reduced 10 per cent in 1872, but this reduction was repealed in 1875.)	1878	91,060	94,418	3.61	3.63	1.50	1.10
	1879	92,780	93,388	4.14	3.22	1.20	1.00
	1880	97,825	101,187	5.04	3.56	1.25	1.10
	1881	117,085	119,246	4.81	3.25	1.25	1.10
	1882	132,800	135,930	4.91	3.13	1.25	1.10
	1883	143,957	145,976	4.32	2.81	1.25	1.10

Tariffs on lead.	Years.	United States production.[b]	United States consumption.[c]	Duties collected[c] on imports.	Price per pound.[b] New York.	Price per pound.[b] London.	Wages paid in Missouri. Drillers.	Wages paid in Missouri. Backhands.
Act of March 3, 1883.		*Short tons.*	*Short tons.*		*Cents.*	*Cents.*		
Pigs and bars, 2 cents per pound	1884	139,897	141,433	$35,015.84	3.74	2.59	$1.50	$1.25
Ore and dross, 1.5 cents per pound	1885	129,412	132,343	147,184.01	3.95	2.51	1.35	1.10
	1886	135,329	144,420	221,947.37	4.63	2.87	1.50	1.15
Sheet, etc., 3 cents per pound	1887	145,212	149,070	236,617.78	4.59	2.80	1.50	1.15
	1888	151,919	153,210	146,310.25	4.42	3.02	1.50	1.15
Under this act ore classed as silver ore, but containing lead, was admitted free.	1889	157,397	158,784	57,757.11	3.93	2.84	1.50	1.15
McKinley Act, October 1, 1890.								
	1890	142,065	151,733	52,893.08	4.48	2.91	1.60	1.25
Pigs and bars, 2 cents per pound	1891	178,554	180,250	832,364.82	4.35	2.70	1.60	1.25
	1892	181,000	181,775	814,321.64	4.00	2.34	1.60	1.25
All ore, 1.5 cents per pound	1893	163,082	165,962	979,905.42	3.73	2.07	[d] 1.40 1.50	[d] 1.15 1.25
Sheet, etc., 2.5 cents per pound								
Wilson Act, August 27, 1894.								
Pigs and bars, 1 cent per pound	1894	162,686	182,270	644,099.83	3.29	2.05	1.25	1.00
All ore, ¾ cent per pound	1895	170,000	224,775	1,180,374.89	3.23	2.34	1.15 1.25	.90 1.00
	1896	188,000	193,275	988,427.10	2.98	2.43	1.25	1.00
Sheet, etc., 1¼ cents per pound	1897	211,000	219,025	368,559.73	3.58	2.64	1.35 1.45	1.10 1.20
Manufactures of, not specially provided for.								

[a] A duty of 1 cent per pound was placed on bar and other lead on August 10, 1789. The act of July 1, 1812, a war measure, increased this duty, with others, 100 per cent. From 1815 to 1824 the duty was 1 cent per pound, from 1824 to 1828 it was 2 cents per pound, from 1828 to 1846 it was 3 cents per pound, from 1846 to 1857 it was 20 per cent ad valorem, and from 1857 to 1861 it was 15 per cent ad valorem. The act of March 2, 1861, increased the duty to 1 cent per pound, and the act of August 5, 1861, again increased it to 1.5 cents per pound. This was followed by the act of June 30, 1864, referred to above.

[b] The statistics given here are taken from the carefully prepared tables in the recent work on Lead and Zinc in the United States, by W. R. Ingalls. Hill Publishing Company, 1908, pp. 200-205.

[c] Figures taken from reports of Bureau of Statistics.

[d] Day's work increased to ten hours.

Digitized by Google

Statement of prevailing tariffs on lead, United States production and consumption, prices at New York and London, etc.—Continued.

Tariffs on lead.	Years.	United States production.	United States consumption.	Duties collected on imports.	Price per pound. New York.	Price per pound. London.	Wages paid in Missouri. Drillers.	Wages paid in Missouri. Backhands.
		Short tons.	*Short tons.*		*Cents.*	*Cents.*		
Dingley Act, July 24, 1897.	1898	228,475	228,631	413,288.50	3.78	2.82	1.45	1.20
	1899	217,085	218,821	195,302.21	4.47	3.22	1.60	1.30
Pigs, bars, and base bullion, 2¼ cents per pound	1900	279,107	280,944	303,238.19	4.37	3.69	1.60	1.30
	1901	279,922	281,724	320,509.78	4.33	2.72	1.60 / 1.65	1.30 / 1.35
All ore, 1.5 cents per pound	1902	275,000	281,222	439,722.03	4.07	2.45	1.60	1.30
	1903	282,402	296,888	735,604.79	4.24	2.51	1.80	1.50
Sheet, etc., 2.5 cents per pound	1904	307,204	315,871	814,466.83	4.31	2.60	1.90	1.60
	1905	319,744	325,401	469,277.03	4.71	2.98	1.90	1.60
Manufactures of not specially provided for, 45 per cent.	1906	355,309	306,999	1,542,313.50	5.66	3.77	1.90 / 2.00	1.60 / 1.70
	1907	352,237	361,479	982,235.09	5.33	3.15	2.25	1.95

Lead production of the world.[a]

[In metric tons.]

Year.	Australia.	Austria.	Belgium.	Canada.	Chile.	France.	Germany.	Greece.	Hungary.
1897	22,000	9,860	17,023	17,698	370	9,916	118,881	16,468	2,527
1898	67,000	10,340	19,330	14,477	13	10,920	132,742	19,193	2,305
1899	87,600	9,736	15,700	9,917	171	15,981	129,225	19,059	2,166
1900	87,100	10,650	16,865	28,654	14	15,210	121,513	16,396	2,030
1901	90,000	10,161	18,760	23,452	455	21,000	123,098	17,644	2,029
1902	90,000	11,300	19,504	11,478	[c] 500	18,817	140,331	15,668	2,243
1903	141,446	12,162	22,263	9,070	71	23,258	145,319	16,093	2,057
1904	118,979	12,645	23,470	19,000	17	18,000	137,580	14,320	2,104
1905	[c] 104,639	12,968	22,885	25,650	Nil.	24,100	152,590	13,729	2,146
1906	[d] 93,000	14,846	23,765	24,560	[c] 50	25,600	150,741	12,308	1,925
1907	[d] 97,000	[f] [d] 15,000	[d] 25,800	21,571	.....	[d] 23,000	142,571	[d] 13,800	(g)

Year.	Italy.	Japan.	Mexico.	Russia.	Spain.	Sweden	United Kingdom. Foreign ores.	United Kingdom. Domestic ores.	United States.	Total.[h]
1897	22,407	1,737	71,637	450	189,216	1,480	13,312	26,988	179,369	721,167
1898	24,543	1,705	71,442	241	198,392	1,559	23,239	25,761	207,271	7[illegible]8,015
1899	20,543	1,989	84,656	322	184,007	1,606	17,571	23,929	196,938	820,873
1900	23,763	1,877	63,827	221	176,600	1,424	10,738	24,762	253,204	854,407
1901	25,796	1,806	94,194	156	169,294	988	19,639	20,361	253,944	892,861
1902	26,494	1,644	106,805	225	177,560	842	9,133	17,987	231,489	926,870
1903	22,126	1,728	[b] 94,181	196	175,109	678	11,900	19,958	250,992	951,517
1904	23,475	1,803	[c] 103,000	90	185,862	589	6,888	19,838	274,132	961,792
1905	19,077	2,255	[c] 87,393	700	185,693	576	[c] 5,000	20,616	292,519	972,496
1906	21,268	[d] 4,000	[c] 66,610	907	185,470	[c] 600	[c] 4,000	22,653	315,831	868,174
1907	[d] 22,900	[c] 3,500	[c] 72,000	[c] 100	[d] 185,800	[c] 700	[c] 4,000	29,000	317,568	964,910

[a] From official reports of the respective countries, except the United States, and as otherwise specified in these footnotes.
[b] Net reports.
[c] Commercial statistics of Julius Matton, London.
[d] As reported by the Metallgesellschaft, Frankfort am Main.
[e] Estimated.
[f] Including Hungary.
[g] Included with Austria.
[h] The totals are somewhat too high, because of certain duplications which it is impossible to eliminate.

Digitized by Google

Statistics of lead in the United States.

[In tons of 2,000 pounds.]

Year.	Produced from domestic ores.				Imported in ores and bullion.	Total production and imports.	Exported in all forms.
	Desilverized.	Soft.[a]	Antimonial.[b]	Total.			
1897	144,649	45,710	7,359	197,718	92,177	302,859	60,353
1898	169,364	50,468	8,643	228,475	89,209	348,845	78,168
1899	171,495	40,508	7,377	217,085	76,423	317,196	74,944
1900	221,278	47,923	9,906	279,107	114,397	425,824	100,288
1901	211,368	57,898	10,656	279,922	112,471	458,033	100,026
1902	199,615	70,424	10,485	280,524	107,715	458,456	82,228
1903	188,943	78,298	9,453	276,694	106,407	418,601	81,971
1904	200,858	90,470	10,876	302,204	112,852	415,056	84,142
1905	205,665	105,623	11,186	322,474	98,378	420,852	59,741
1906	220,095	118,000	10,120	348,215	84,134	432,349	47,323
1907	213,383	127,133	9,614	350,130	79,815	429,945	51,502

[a] Since 1904 a large part of the so-called "soft lead" was desilverized, but this (being of Missouri origin) has been included in the old classification.

[b] The entire production of antimonial lead is entered as of domestic production, although part of it is of foreign origin. In 1905, the first year in which the separation has been possible, the antimonial lead from foreign sources amounted to 2,730 tons. In 1906 the antimonial lead from foreign sources was 2,686 tons.

[c] Includes "pigs, bars and old."

Metallurgical production of lead in the United States.

[In tons of 2,000 pounds.]

DOMESTIC ORIGIN.

Year.	Desilverized.	Antimonial.	Southeast Missouri.	Southwest Missouri.	Miscellaneous.	Total.
1905	205,665	8,456	81,299	21,324	3,000	319,744
1906	220,095	7,434	100,492	16,528	980	345,529
1907	213,383	9,614	108,510	17,790	790	350,130

Consumption of lead in the United States.

[In tons of 2,000 pounds.]

	1905.	1906.	1907.
Supply:			
Production desilverized	289,169	287,536	289,339
Production soft lead	105,623	118,000	127,133
Production antimonial lead	11,186	10,120	9,614
Imports foreign refined lead	5,720	11,763	9,277
Stock, domestic lead, January 1	10,000	4,000	4,000
Foreign, in bond, January 1	11,481	8,148	5,691
Total supply	433,179	439,567	445,114
Deductions:			
Reexports of foreign	58,631	47,223	51,424
Exports of domestic lead	63	74	55
Stock, domestic, December 31	4,000	4,000	50,000
Foreign, in bond, December 31	8,148	5,691	12,897
Total deductions	70,842	56,988	114,376
Apparent consumption	362,331	380,122	330,738

Digitized by Google

Imports of lead ore, base bullion, pigs, bars, and old.[a]

[In tons of 2,000 pounds.]

Source.	1901.	1902.	1903.	1904.
United Kingdom	201.3	396.3	776.4	247.3
Germany	335.6	476.4	704.9	365.6
Other Europe	1.2	671.1	225.7	82.8
Canada	26,065.0	9,732.5	9,600.4	8,951.9
Mexico	81,726.8	93,742.3	93,068.3	102,903.0
South America	4,108.7	2,690.1	1,947.8	290.0
Other countries	32.5	6.1	83.2	11.0
Total	112,471.1	107,714.8	106,406.7	112,851.7

Source.	1905.	1906.	1907.
United Kingdom	795.0	4,926.4	217.0
Germany	125.1	1,003.2	228.3
Other Europe	58.8	1,960.5	3,161.1
Canada	8,181.5	9,257.1	6,636.5
Mexico	87,583.8	56,756.3	68,767.5
South America	1,577.2	157.6	441.7
Other countries	56.3	73.7	62.9
Total	98,737.7	81,134.8	79,815.0

[a] Refined lead, i. e., in pigs, bars, and old, is a small part of the total. It was, in 1901, 604 tons; 1902, 2,529 tons; 1903, 3,023 tons; 1904, 8,724 tons; 1905, 5,720 tons; 1906, 11,763 tons; 1907, 9,277 tons.

Production of lead by States.

[In tons of 2,000 pounds.]

State.	[a] 1901.	[a] 1902.	[b] 1903.	[b] 1904.
Colorado	73,265	51,833	43,276	49,290
Idaho	79,654	84,742	94,611	105,411
Missouri-Kansas	[c] 67,172	[c] 79,445	[c] 86,439	[c] 92,119
Montana	5,791	4,438	3,138	3,454
Utah	43,870	53,941	48,573	53,617
Others	8,452	6,425	6,365	5,283
Total	284,204	280,797	282,204	307,204

State.	[d] 1905.	1906.	1907.
Colorado	[e] 57,856	[e] 52,992	47,332
Idaho	[f] 107,000	[g] 121,584	111,697
Missouri-Kansas	[h] 102,500	[i] 115,103	125,813
Montana	[j] 3,500	[i] 2,485	2,005
Utah	44,500	[i] 56,268	54,738
Others	[j] 4,900	[k] 6,877	10,652
Total	320,256	355,309	352,237

[a] Statistics of the U. S. Geological Survey, representing "lead content of ore smelted."
[b] Statistics of the U. S. Geological Survey, representing production of merchant lead.
[c] Includes also the production of Wisconsin, Illinois, Iowa, Virginia, and Kentucky.
[d] Production of crude lead, distributed according to the States of origin.
[e] Report of state commissioner of mines.
[f] Partly estimated.
[g] Report of state inspector of mines, less allowance of 5 per cent for loss in smelting.
[h] Includes 1,500 tons from Iowa, Illinois, and Wisconsin; this may not represent the total production of these States, anything in excess appearing under the classification of "other."
[i] Smelters' reports.
[j] Estimated.
[k] Chiefly the production of Wisconsin, Arizona, and Nevada.
[l] Includes Arizona, Arkansas, California, Kentucky, Illinois, Iowa, New Mexico, Nevada, Oklahoma, Oregon, Tennessee, Texas, Washington, and Wisconsin.

Digitized by Google

From the above tables it will be noted that in the year 1907 there was produced in the United States 350,130 short tons of pig lead, and that Missouri produced 126,343 tons, and that southeast Missouri produced 108,510 short tons, or 30 per cent of the entire product of the United States. It may be added that St. Francois County, Mo., produced more than 90 per cent of the output of southeast Missouri.

It will further be noted that the apparent consumption of the United States for the year 1907 was 330,738 tons, a falling off from the consumption of 1906 of about 50,000 tons.

The entire lead production of the world was, in 1907, 946,910 metric tons, divided among the countries as follows:

	Metric tons.		Metric tons.
United States	317,568	Italy	22,900
Spain	185,800	Canada	21,571
Germany	142,571	Austria	15,400
Australia	97,000	Greece	13,800
Mexico	72,000	Japan	3,500
Belgium	25,800	Sweden	700
England	24,000	Russia	100
France	23,000		

the United States producing 32 per cent of the entire product.

Price of lead in New York in 1907, by months.

January	$6.00	July	$5.28
February	6.00	August	5.25
March	6.00	September	4.81
April	6.00	October	4.75
May	6.00	November	4.37
June	5.76	December	3.65

Assessed valuation of St. Francois County, Mo.

	Real estate.	Town lots.	Money.	Banks.	Other personal property.	Merchants and manufacturers.	Railway.	Totals.
1908	$6,641,188	$879,600	$654,070	$286,170	$716,574	$382,880	$1,298,307	$10,861,789
1907	6,487,313	809,794	556,942	266,742	906,188	415,007	1,246,679	10,688,665
1906	4,578,740	633,220	640,345	158,951	538,721	340,490	1,104,197	7,994,664
1905	3,948,200	684,700	568,975	140,105	442,470	284,565	940,768	6,474,738
1904	3,744,790	579,665	515,355	100,283	422,715	258,245	835,664	6,474,717
1903	3,564,645	582,505	683,710	90,674	415,753	242,485	780,167	6,360,239
1902	3,483,125	436,020	750,260	67,686	414,163	234,805	767,573	6,153,622
1901	2,988,270	375,060	872,839	58,554	326,686	230,260	699,581	5,551,250
1900	2,391,080	362,925	540,389	31,375	325,028	214,551	654,151	4,519,499
1899	2,259,790	364,685	554,338	55,955	368,342	208,081	655,931	4,437,122
1898	1,953,953	351,557	400,830	34,790	324,822	203,310	620,283	3,879,545
1897	1,915,355	352,105	345,349	34,326	322,865	185,810	516,957	3,712,587
1896	1,967,962	363,303	338,550	34,750	315,151	179,135	545,233	3,794,084
1895	1,912,800	352,125	378,870	20,746	486,685	169,535	552,302	3,479,013
1894	1,933,127	338,910	476,485	21,065	395,783	158,252	535,470	3,859,092

Digitized by Google

Wages paid, coal cost, and price received for lead by a company of St. Francois County, Mo., 1890 to 1908.

Labor (wages per day, January 1).	1890.	1891.	1892.	1893.	1894.	1895.	1896.	1897.	1898.	1899.
Mine drillers, underground	$1.50	$1.60	$1.60	$1.60	$1.25	$1.15	$1.25	$1.25	$1.45	$1.45
Mine backhands, underground	1.15	1.25	1.25	1.25	1.00	.90	1.00	1.00	1.20	1.20
Mine rock loaders, underground	1.15	1.25	1.25	1.25	1.20	1.10	1.20	1.20	1.40	1.40
Mine laborer, underground	1.00	1.15	1.15	1.15	1.00	.90	1.00	1.00	1.10	1.10
Mill jigmen	1.50	1.60	1.60	1.60	1.50	1.35	1.50	1.50	1.75	1.75
Mill firemen	1.25	1.35	1.35	1.35	1.00	.90	1.00	1.00	1.20	1.20
Mill laborer	1.00	1.15	1.15	1.15	1.00	.90	1.00	1.00	1.10	1.10
Mill chatmen	1.20	1.30	1.30	1.30	1.25	1.15	1.25	1.25	1.50	1.50
Calciners	1.40	1.50	1.50	1.50	1.50	1.35	1.50	1.50	1.60	1.60
Blast furnace pot pullers	1.50	1.65	1.65	1.65	1.55	1.40	1.50	1.50	1.60	1.60
Coal (cost per ton at Bonne Terre, Mo., January)	2.30	2.30	2.30	2.25	1.90	1.96	2.00	1.80	1.74	1.97
Average price received for lead at East St. Louis during fiscal years ending April 30	3.55	4.00	3.87	3.88	3.15	3.01	2.91	2.77	3.48	3.82

Labor (wages per day January 1).	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.	1908.
Mine drillers, underground	$1.60	$1.60	$1.60	$1.60	$1.80	$1.90	$1.90	$2.25	$1.70
Mine back hands, underground	1.30	1.30	1.30	1.30	1.70	1.60	1.60	1.95	1.45
Mine rock loaders, underground	1.55	1.55	1.55	1.55	1.75	1.90	1.90	2.25	1.70
Mine laborer	1.25	1.25	1.30	1.30	1.50	1.50	1.50	1.85	1.35
Mill jig men	1.90	1.90	1.95	1.95	1.95	1.95	1.95	2.30	1.95
Mill firemen	1.30	1.30	1.35	1.35	1.65	1.65	1.65	2.05	1.65
Mill laborer	1.25	1.25	1.30	1.30	1.30	1.30	1.30	1.55	1.30
Mill chat men	1.65	1.65	1.70	1.70	1.70	1.70	1.70	2.15	1.80
Calciners	1.60	1.60	1.60	1.70	2.00	2.00	2.00	2.25	2.90
Blast furnace pot pullers	1.60	1.60	1.60	1.70	1.80	1.80	1.80	2.05	1.60
Coal (cost per ton at Bonne Terre, Mo., January)	1.97	2.00	2.15	2.15	2.59	2.06	1.94	2.13	2.18
Average price received for lead at East St. Louis during fiscal years ending April 30	4.48	4.15	4.12	4.02	4.20	4.32	5.00	5.72	4.15

It will be noted that mine drillers, back hands, rock loaders, laborers, calciners, and blast-furnace men worked eight-hour days in the years 1890, 1891, 1892, and 1893, and that from 1894 to and including 1902 a day's work was ten and twelve hours, and that from 1903 eight hours was a day for all employees.

Firman Desloge tells what a low tariff on lead will do.

Firman Desloge, the founder of Desloge, Mo., one of the pioneers in the development of the great lead-mining industry of the Bonne Terre and Flat River districts of southeast Missouri, went to Washington when the Wilson bill was pending. He was a lifelong Democrat. He knew from his dearly bought experience that the cutting of the tariff on lead meant importation of Mexican ores in vast quantity and the loss of market to Missouri lead at living prices for miners and operators. Democrats were in control of House and Senate. Naturally, Mr. Desloge went to Democratic Congressmen from Missouri to prevent the danger to Missouri industries. He approached, among others, Champ Clark and asked him if he couldn't do something for the protection of considerable sections of his State.

"If I had my way," replied Champ Clark, "I would destroy all of the custom-houses on the seaboard, discharge the employees, and throw her wide open."

"Do you remember that?" Mr. Desloge was asked yesterday in the office of the Desloge Mining Company at the Rialto Building.

"Yes," he said, "I do remember it and I am not likely to forget it as long as I live. I remember, too, what the lead-mining industry of

Digitized by Google

Missouri went through, following the enactment of the Wilson tariff. Lead went down to $2.40. I did hear some sold as low as $2.30. I couldn't shut down my plant without throwing people out of work, tying up the capital invested, and letting the machinery deteriorate. I couldn't afford to produce pig lead at such prices without loss. I determined to keep the works running, to pile up the product and borrow money on it, hoping that prices would get better. I went to the National Bank of Commerce and told Van Blarcom I wanted $100,000 on pig lead as collateral. There was no question about the margin or the rate. The bank had decided not to loan any money on lead. The future was too uncertain. I was turned away. That goes to show you in what condition the lead industry was when the Wilson tariff prevailed here. Of course I found the money somewhere and I kept my mine and works in operation, even though there was no profit; but I don't want to go through another Wilson tariff."

"How were wages under the Wilson tariff, Mr. Desloge?"

"Ninety cents a day was the most we could afford to pay what we call ordinary outside labor at the mines. Our skilled labor we paid as low as $1.10. There wasn't much work to be had, even at those low rates. Those were the days of the unemployed. You remember the 'commonweal armies,' don't you? Coxey marched to Washington in 1904. There were Missouri lead miners in those armies."

"What are wages in the lead-mining region now, Mr. Desloge?"

"We pay $1.35 for ordinary outside labor. Our miners get from $1.75 to $2 a day. Wages were higher than that before the panic struck us last year. The increase now is 50 per cent and more above what we were able to pay under the Wilson tariff."

"Have you known pig lead to sell as low in St. Louis at any other time as it did under the Wilson law?"

"No; and I don't believe it sold as low at any other time in the history of the lead industry in Missouri. During the height of the panic last year lead dropped as low as $3.30. That was for only a short time, when there was general stagnation in every line. The product recovered in part what had been lost and is now about $4.30. During the very prosperous period, before the recent panic, lead went up to $6 per 100 pounds.

"There are some conditions in this lead industry that are not generally understood," continued Mr. Desloge.

"The profit is not to be measured by the amount of ore taken out and the price the pig lead brings. We buy great quantities of land, often paying a high price per acre. Some of this land has deposits of lead ore. Much of the land has nothing. When we have mined a piece of land and taken out the ore, that land is practically worthless. What that land cost must come out of the apparent profit. So also must the cost of the barren land come out, for the money spent for it has been sunk. To locate bodies of ore we spend large sums in prospecting, which is another charge against the apparent profit."

"Your system of lead mining in southeast Missouri differs from that of southwest Missouri?"

"Yes; radically. We handle disseminated ore, requiring costly and elaborate plants. We employ miners at wages. In southwest Missouri, where the lead is in different formation, found with zinc, the miner pays a royalty to the owner of the land on all the ore he finds. He sells his ore to whomsoever he chooses, and the price bears a cer-

Digitized by Google

tain relation to the price of pig lead in St. Louis or New York. I am giving you the old Joplin method, and I presume it is still followed largely, although I believe there is more wage labor in southwest Missouri lead-mining regions than there was."

"But it is the same tariff question in southeast and southwest Missouri, Mr. Desloge?"

"Yes. All of the lead-mining interests of Missouri and all of these St. Louis industries depending upon it have the same at stake on the tariff issue. Cutting down the duty on lead means reduction of wages, decrease of output, paralysis of these industries."

"How do the Democratic politicians meet the tariff issue in the lead regions of Missouri this campaign?"

"They don't meet it. Politte Elvins, the Republican candidate for Congress in the lead-mining district of southeast Missouri, has been asking Congressman Madison Smith ever since the campaign opened, 'How do you stand on the lead tariff?' and Congressman Smith doesn't answer."

(Editorial, Globe-Democrat, November 18, 1908.)

Missouri and tariff revision.

Though the extra session of Congress to revise the tariff is several months away, Missouri, in the recent election, gave a valuable pointer on sentiment in this State. Four Congressional districts in Missouri that went Democratic in 1906 elected Republican members this year on the issue of protection. The question was presented with unusual distinctness and in an unusually simplified form. Many zinc miners in southwest Missouri have been thrown out of employment by the importation of ore produced by the peon labor of Mexico. These importations began five years ago, when it was discovered that zinc ore was on the free list. The smelters' trust turned to Mexico for its supply, and the miners and mines in the Joplin district have suffered heavily in consequence.

A protective duty will unquestionably be placed on zinc ore when Congress takes up the tariff question next March. In his tour across Missouri Speaker Cannon spoke at many places in the zinc and lead mining regions of the State. The striking result was that four Congressional districts that were Democratic two years ago are Republican now. Their representatives will vote for protection and for the new tariff in which the protective principle will be asserted and free-trade theories ignored. The zinc and lead miners of Missouri know by a positive demonstration that American wages can not be maintained if placed in competition with poorly paid foreign labor. Often this subject must be argued in the abstract. But the miners of Missouri have had the subject brought home to them.

NOVEMBER 23, 1908.

Mr. E. A. ROZIER,
Care New Willard Hotel, Washington, D. C.

DEAR SIR: I regret that I do not feel well enough to be present at the tariff hearing, and authorize you to represent the Deslodge Consolidated Lead Company in presenting reasons why the present duty of 2⅛ cents per pound on metallic lead and 1½ cents per pound on the metallic lead contents of ore should not be reduced.

From the condition the lead operators of Missouri found themselves in whilst the Wilson bill was in effect, it is plainly to be seen that the effect was to put

Digitized by Google

many of them out of business and make lead mining in Missouri unprofitable to follow, even by those more favored by having richer mines (the best of which and not the average, as is customary, had to be worked to meet changed conditions).

For a general outline of conditions brought about by the Wilson bill, and which would occur again in event of a tariff reduction on lead, I herewith inclose you an interview given by me previous to the recent election, that I refer you to as giving a full explanation of how the Wilson bill worked against the lead interests.

It is my belief and firm conviction that it was due to the depression caused by the Wilson bill that four Congressional districts that went Democratic in 1906 were changed to Republican in 1908. The question of tariff was put before the voters as a plain business proposition, in which their daily wages were concerned, and, having won the victory, will expect the protection principle adhered to as a means of maintaining present wages. The low-grade ore (disseminated lead) is worked for lead only, and has not the value where other metals are associated, and requires large capital and employment of large numbers of men, with returns under most favorable circumstances of a fair interest only on the investment.

Yours, truly, DESLOGE CONSOLIDATED LEAD COMPANY,
F. DESLOGE, *Treasurer and Vice-President.*

Southeast Missouri, especially the Flat River district, has lead deposits of a very low percentage of ore; the average is less than 5 per cent. This land is mostly poor, rocky, and practically worthless for agricultural purposes, but where lead has been discovered has brought its owners from $150 to $500 per acre in the sales made to the mining companies which have taken the field.

The low grade of this ore made it impossible to the individual miner to work its extraction and make a living; it required capital of large proportion, employing huge power, aided by the most improved machinery and appliances, to operate the mines and win a profit, and the most careful competent management is required for this result. Some thirty years ago the country was a forest wilderness of scanty population. The powerful companies which have gradually opened up and operated these mines have attracted a dense population; the country has been cleared, and from Bonne Terre, the northern limit of the field, to Fredericktown, the southern, the homes of the people are almost contiguous. Two railroads have been built especially to serve the traffic of this territory. The male population is all employed at steady work and satisfactory wages. Schools and churches have been built to supply the educational and moral needs of the people; there is general contentment and prosperity.

The tariff on lead and lead ores has permitted this condition. Millions of dollars of money have been invested under the encouragement of its protection; without the tariff the industry would die absolutely, for lead can not be produced there as cheaply as it is in foreign countries—Spain, Mexico, and others. The mines would be abandoned, the population would depart, and the country would become more desolate, more deserted than before.

When the panic of 1907 struck this land and pig lead dropped in St. Louis to 3¼ or 3.40 per pound the mines lost money, notwithstanding wages were reduced 25 per cent, and only the hope of an improvement induced a continuance of operations. Had this improvement not occurred a permanent shut down would have been a certainty.

Respectfully submitted.

EDWARD A. ROZIER,
Representing Lead Producers of Southeastern Missouri.

MILTON L. LISSBERGER, OF LONG ISLAND CITY, N. Y., CLAIMS THAT PRESENT DUTIES ON LEAD ARE PROHIBITIVE.

FRIDAY, *November 27, 1908.*

Mr. LISSBERGER. Mr. Chairman and gentlemen, I am here representing a conference held last Thursday, at which there were present, personally and by proxies, 51 manufacturers of lead goods. I am also representing Marks Lissberger & Son (Incorporated), of Long Island City, who are manufacturers, smelters, and refiners of white metals, using lead in all of their products, or pretty much all of them.

In the first place, I want to say this in regard to this conference: It was unanimously agreed that the present tariff was not a protective tariff, but was an absolutely prohibitive one, and that the only protection the manufacturers could find was to the refining companies, protecting them from any opposition whatsoever in their ability to do pretty much as they pleased with both the miners and the consumers. And I must say, gentlemen, that that impression has grown very much stronger in my own mind since I have listened tonight to the miners. I believe that what they want is not so much protection from foreign ore as it is protection from the smelter and refiner. I think they have demonstrated that very clearly here.

As a matter of fact the bulk of the lead is not used in New York; and, gentlemen, pig lead does not carry a freight rate of $1.25 from Utah. I say that, because, gentlemen, I make lead pipe, and that carries a very much higher freight rate than pig lead; and we ship lead pipe from New York right to the Pacific coast at 75 cents per hundred pounds.

Mr. BONYNGE. Is it not true that the freight rates from the Atlantic coast to the Pacific are less than the freight rates from the intermountain States to the Atlantic coast?

Mr. LISSBERGER. No, sir; not on lead products. Pig lead comes from St. Louis——

Mr. BONYNGE. Are not the latter three times as much?

Mr. LISSBERGER. Pig lead comes from St. Louis to New York at 15 cents a hundred pounds. That is the rate from East St. Louis to New York, but you can not ship it back from New York to East St. Louis. During 1906, that glorious period we hear so much about from most of the manufacturers that I have heard here during these last few days, when lead was very scarce, and there was this importation of 50,000 tons which we read about in our Geological Survey report on the Mineral Resources of the United States, St. Louis badly needed lead. Some independent manufacturers there that were not connected with a large company needed lead. We found that though it was the season of the year when the railroads were overcrowded and could not get cars enough to move their crops, and had empty cars in New York and nothing to carry back in them, yet it cost us 35 cents to carry lead west when it had only cost 15 cents to bring that same lead from St. Louis to New York. That is only in answer to your question, sir. I did not mean to digress.

The CHAIRMAN. It cost 35 cents to carry your lead pipe to St. Louis? Is that what you mean?

Mr. LISSBERGER. No, sir; pig lead. It cost us, I think, 51 cents a hundred to send lead pipe to St. Louis. I do not want to say that positively. It was either 51 or 56.

Digitized by Google

Mr. CLARK. You do not mean to say that you ship pig lead from New York to St. Louis, do you? You do not mean to say that anybody ever shipped any pig lead from New York to St. Louis?

Mr. LISSBERGER. If you had known the condition——

Mr. CLARK. I am not asking you what I know or what I do not know.

The CHAIRMAN. He asked you whether you did that or not.

Mr. CLARK. That is what I asked you.

Mr. LISSBERGER. I did; I said it would have cost that much to ship it.

Mr. CLARK. But did they ship any?

Mr. LISSBERGER. A little. They had to have it there. They could not buy lead in St. Louis.

Mr. CLARK. Why did they not go down there where Mr. Rozier comes from, and get it almost in sight of their smokestacks?

Mr. LISSBERGER. Because I said that what Mr. Rozier really needed was not protection against foreign ore; it was protection against the smelter. The smelter would not sell the lead there.

Mr. CLARK. What I asked you was, and what I want you to answer is, why did not these St. Louis people go down there where Mr. Rozier is, almost in sight of the smokestacks of the St. Louis smelter, and buy the lead, instead of going to New York and getting it?

The CHAIRMAN. Your last sentence was an answer to that question. Repeat it, please. You said "Because the smelters would not sell it."

Mr. LISSBERGER. Because the smelters would not sell it there.

Mr. CLARK. One more question: Why do not these people in Utah make lead pipe and ship it to California? They have the lead.

Mr. LISSBERGER. They could do it. There is lead in California, sir; and it could be made there.

Mr. CLARK. They are now shipping pig lead from Utah to New York, and shipping lead pipe from New York to California.

Mr. BONYNGE. Do you know how much figure the freight rates would cut in that proposition?

Mr. LISSBERGER. We charge in New York $5 a ton above the price of pig lead for making lead pipe to-day. You can see what the freight rate is. It is three times what we get for manufacturing. But they will not manufacture at those figures at the coast. In fact, the same company that owns the plant that makes lead pipe at the Pacific coast owns a plant at the Atlantic coast. Their additional charge for manufacturing above the price of pig lead at the Pacific coast is far in excess of that at the Atlantic coast; and I do not think the wages at the Pacific coast come any higher than at the Atlantic coast.

Mr. CLARK. Mr. Witness, have you any suggestion to make as to how to get rid of the incubus of this smelter business?

Mr. LISSBERGER. Yes, sir.

Mr. CLARK. I should like to hear it.

Mr. LISSBERGER. The first question that came up was that this duty of 2⅛ cents was prohibitive. It did not protect the workmen; they did not come into the question. We asked for a very material reduction, because that is inordinately high. It amounts to actually, at the present time, 75 per cent. The price of lead in England to-day is about 2.8 cents. A duty of 2⅛ cents is a little above 75 per cent.

Another thing. We particularly called attention to paragraph 181. In the case of every other article that comes into the United States

Digitized by Google

except lead ore there is a sample drawn at the port of entry. They do it in the case of laces of mixed kinds; they do it in the case of silks and other things. But lo and behold! that law was so drawn that there are only two smelters in the United States that can comply with it, and bring in ore and smelt it. There are 25 or 30 or more smelters with reverberatory furnaces who would be glad to buy foreign ores, and could make a mighty good profit, because the actual American price—not the Mining Journal price, with which these present refiners settle with the miners—at which pig lead can be bought in the open market in New York is generally, and has been for the past three years, 1¾ cents over and above the European price and what it would cost to lay it down, including freight and insurance.

The CHAIRMAN. Pig lead, you mean?

Mr. LISSBERGER. Pig lead. If you mean to give us ore at a cent and a half, in the first place, you learn that while they get $8 a ton for smelting ore, yet they ask a protection between the ore and the metal of five-eighths of a cent a pound, or $12.50 a short ton. And the language of your clause is so drawn in regard to the bringing in of lead ores that only two smelters can comply with it. The small smelter can not bring in ore. He can not come within the requirements of the Government. Let the Government treat lead ore as it does any other article that is to be manufactured in this country, and not make special provisions for sampling at the works or in bond, and having government officers there that you have to pay.

The CHAIRMAN. You must have some regulations for the protection of the Treasury, of course.

Mr. LISSBERGER. I believe in having the same regulations, sir, that you have in regard to drawing a sample at the dock on the arrival of the product; or of course, if it comes in cars from Mexico, you can make your regulations so as to cover that, but giving every concern at the port of entry a right to have the samples drawn from the car.

The CHAIRMAN. The law and the regulation were modeled somewhat after the internal-revenue law for the protection of the tax on whisky.

Mr. LISSBERGER. Yes; but they were so drawn (and they were drawn by the counsel of the largest smelter in the United States) that——

The CHAIRMAN. No; I think they were drawn in the Treasury Department, if I recollect correctly.

Mr. LISSBERGER. It may have emanated from the Treasury Department; but the general knowledge or impression in the metal trade is that that clause was drawn by the counsel for one of the largest smelters in the world, if not the largest.

The CHAIRMAN. No; it was carefully considered by the Treasury Department, without any question, and I think it was drawn there.

Mr. LISSBERGER. Whoever drew it, the effect has been, sir, that it has stopped any small smelter from smelting lead ore. It has handed the foreign business practically over to a very limited number of people.

The CHAIRMAN. The recollection of Major Lord, who was clerk of the committee at the time the Dingley law was passed, is to the same effect as mine, that it was drawn by the Treasury Department.

Mr. LISSBERGER. No matter where it may have been drawn, Mr. Payne, I recall that at that time you fought rather hard against the

Digitized by Google

duty as it was put in; and I believe that we all left Washington with the idea that we were going to have a cent a pound duty on lead ore.

The CHAIRMAN. That is the way the committee reported it to the House, and the way it passed the House—a cent a pound, lead in the ore.

Mr. LISSBERGER. The next thing that happened we woke up to find the thing so drawn that it was a cent and a half, and there were but few in the country that could do it. You would have to either build entirely new works, and get a great big capital, and become one of the so-called "octopuses" yourself, or you were not in it. [Laughter.]

Mr. RANDELL. What do you mean by "the way it was drawn?" Do you mean the amount of the tariff?

Mr. LISSBERGER. I mean the way that clause is drawn, sir, if you will turn to paragraph 181.

Mr. RANDELL. Those are the regulations.

Mr. LISSBERGER. Those are the regulations as they have been adopted since by the department, I do not believe with any intention of committing a hardship, but in accordance with the bill.

The CHAIRMAN. That has really nothing to do with the duty paid on lead coming into this country, except for the percentage of lead which you say they get free of duty under the law.

Mr. LISSBERGER. That is correct. The whole thing works out, as I say, in such a way that it stops the small smelter.

Mr. RANDELL. Will you file a brief? Are you going to file a brief?

Mr. LISSBERGER. Later on.

Mr. RANDELL. Will you in the brief give your suggestions as to how the regulations ought to be changed so as to correct that evil?

Mr. LISSBERGER. I want to say, sir, that because there were so many proxies at this meeting we deferred filing a brief, in the hope of getting the lead men together later on. They expressed a great diversity of view as to what they really did want, and I am speaking for them. It was anything from free trade to 1 cent a pound duty on pig lead. But I want to say that every one of the lead manufacturers there said: "We will be very glad, if the duty on lead is removed or partially removed, to have just as much and just as big a percentage removed from our manufactured goods. We do not feel that we need very much protection on manufactured lead."

Mr. BONYNGE. If you take the duty altogether off of lead in the ore, would the lead manufacturers be willing to have free trade on their articles?

Mr. LISSBERGER. Yes, sir.

Mr. BONYNGE. Absolutely free trade?

Mr. LISSBERGER. Absolutely free trade, if you take it off of pig lead. They do not advise it. They believe in protection, but they say that if you will give them free lead they are willing to take it off their manufactured goods. That is because they have the best workmen in the world, and they can turn out more per dollar day than any other; and even as it is, with all the expense added of bringing over foreign lead, they can and do sell their goods in foreign countries.

Mr. BONYNGE. You expect to get your lead from foreign countries, then, if you have free lead?

Mr. LISSBERGER. No, sir; we do not. We expect that our American miners will begin to stop paying the amounts they are now paying,

Digitized by Google

and that we will begin to treat lead as other metals are treated, without that great, big rake off for certain smelting interests or all smelting interests. In other words, we are injuring this country in many ways—I will only take one minute more, Mr. Chairman, in answer to this question—by the high price that we had on lead in 1906 and 1907. To plumb a house hygienically it is absolutely necessary to plumb it with lead, or something a good deal more expensive, and that is tin. A man who drinks water drawn from iron pipes is risking his life and his health—I am glad to say not very badly; but it is, nevertheless, a risk. It is for the reason that we will increase the use of lead that the manufacturers of lead goods would like to see this tariff materially reduced, and we will leave it with you, gentlemen. We believe that when it comes to the economic question of the revenue required and protection for the workmen you are better judges than we are.

J. N. M. SHIMER, PHILADELPHIA, PA., ADVOCATES THE REMOVAL OF ALL DUTY FROM LEAD.

PHILADELPHIA, PA., *December 1, 1908.*

Hon. SERENO E. PAYNE, M. C.,
Chairman Committee on Ways and Means,
Washington, D. C.:

In filing my brief concerning the lead schedule I am, and have been, an ardent believer in a protective tariff, but I advocate the removal of the duty on lead because of the fact that a differential is created against the agricultural interests of the United States, and the silver bullion produced in the United States is debased by reason of the duty on lead.

I have advocated this removal continuously since 1874, by letters and otherwise, where I have felt my efforts would avail, but this is the first time that I have been able to get the matter before the proper authorities.

The subject of a differential is one that is sometimes not easily explained and is a condition at all times indirectly created; and what I claim is that the duty on lead indirectly creates a differential against the agricultural products of the United States when sold in the markets of Europe in competition with the purchases of Europe from a country on a silver basis, because the duty on lead debases the bullion value of every ounce of silver produced by using lead as a flux in the smelting of the two metals.

In addition, the United States loses the value of such debasement of the bullion value of silver on that portion of her silver produced that we sell abroad.

We have been shipping in recent years to Europe upward of 75,000,000 ounces of silver per annum. Therefore whatever the amount of this reduced value of silver per ounce is, it can be multiplied by the amount we ship abroad at least.

I submit to you a statement as to the purchasing power of £5,000 sterling on a given day to show you the amount of this differential created on a difference of 10 cents per ounce in silver. It goes without saying that the portion of silver bullion used by the Government in

Digitized by Google

the coinage is not affected, because the stamping of that bullion by the United States creates its parity with gold. It is in its bullion state that its effect is paramount, because it is in its bullion state that the markets of the world recognize its standard of value. That is to say, the value of an ounce of silver on a given day in London is the value of an ounce of silver in the remotest parts of the world, and purchases of agricultural or other products made on that day in India, Argentine, or Egypt are settled for based upon the price of an ounce of silver in London.

If London buys a cargo of wheat or a cargo of cotton in the United States on that same day, it is presumably purchased competitively. If an ounce of silver was worth 10 cents more on that day than it was worth one week previously, the price per bushel of wheat or pound of cotton would be enhanced proportionately or decreased were silver 10 cents per ounce lower, and the bushel of grain or pound of cotton purchased in the United States competitively would be decreased or enhanced accordingly. Therefore the duty on lead debases the price of silver, and this fact creates a differential against the United States by forcing us to meet a lower competitive value than we would otherwise have to meet.

The farmer of the United States, and especially in that portion of our country lying east of the Mississippi River, realized that his prosperous condition commenced to lower since 1873. All of them knew and know that there has been something the matter, but few, if any, of them realized what causes were at work, reducing year by year the value of their farm lands, until they were reduced, in many instances, to the value of the buildings on the land. Notwithstanding this, during this period the prosperous condition of the United States, from a mining and manufacturing standpoint, was rapidly and surely increasing. They have not been able to understand why there should be such a difference in the measure of increase and prosperous conditions surrounding one avenue of business, and why such blighting influences should surround another and equally important avenue of the business of the country; and while they could get good prices and have got good prices for their farm products consumed in the internal markets of the United States, nevertheless when they came to sell such staple products as were in demand abroad they were met with such low competitive prices for such surplus as made the average of their earnings less than it should be.

It is because they were called upon to sell their products in the neutral markets of the world competitively with these same products raised or grown competitively upon a lower standard of values. That is to say, raised or grown in a country where silver was the basis of their currency, because the price of wheat, cotton, and meat products was fixed by the price of these products in the neutral markets of the world—England, for instance—and the price of a bushel of wheat in Liverpool affected not only that portion of their surplus that they shipped abroad, but also all which was in their barns, their stacks, and their granaries. The reason is plainly caused by the differential created by the duty on lead debasing the price of silver bullion.

The agriculturists of England, Scotland, and Ireland have had these conditions to face. Not so with France and Germany. France, to equalize her agricultural conditions, imposes an import duty of approximately 30 cents per bushel on wheat entering France; Ger-

Digitized by Google

many a like amount approximately. In both countries agricultural conditions have been prosperous because the imposition of this import duty has held the internal prices of their products on a higher level, in the same manner that the import duty on lead holds the internal prices of lead to a higher value.

The manufacturing and mining interests of the United States have not had these conditions to confront, because they have not been compelled to compete with manufactured products that were produced on a silver basis, as their competition was largely with England, France, and Germany and other countries on a gold basis, those countries that are on a silver basis having little or no surplus manufactures, the differential being only created where a country on a gold basis purchases from a country on a gold basis, in competition with a nation on a silver basis.

In the concurrent smelting of lead and silver the sum of the values of the two metals represents the whole value of the two metals. As to which of the two metals is to be considered the by-product of the operation depends largely upon either the volume of the respective metals or the value of the respective metals. Quoting from the Hon. Thomas B. Reed's speech at Alfred, Me., on August 6, 1896, he said: "Let me tell you one simple thing that the silver smelters would not tell you; probably one-third—perhaps I am understating it or overstating it—probably one-third of the silver product of the United States was produced as the result of tariff on lead. It was a by-product."

Measured by tonnage, silver is undoubtedly the by-product of lead. Measured by values prior and up to 1872, lead was the by-product of silver, but since 1872 silver is the by-product of lead, and since that date it has become more and more so by the decreasing values of silver bullion. This has been caused by the fact that in 1872 it was discovered that the dry silver ores of Colorado and elsewhere could be best smelted with lead as a flux in the same manner that limestone is used to flux the oxide of iron, allowing it to form metallic iron. If I remember aright, 5,000 ounces of silver was all that was produced by this process in 1872. Silver bullion at that time was worth $1.03 per ounce. Since that time all the direct smelted silver has been produced by that method. Of course this does not include the silver produced either electrolytically or electro-chemically. My remarks deal only with the production of silver by the use of lead as a flux, it being only of recent years that the volume of silver electrolytically or electro-chemically produced has been of importance as compared with that produced by the smelting process, and this has tended to ameliorate the conditions complained of.

The average production of silver to the ton of lead is about 100 ounces, measured by all the silver produced and all the lead produced. The duty on lead can therefore be divided by 100. The present duty on lead is $42.50 per ton. Therefore it would seem to be that the proportionate effect of the duty on lead would be equal to 42½ cents per ounce of silver.

If lead were on the free list, the market price of lead would be affected approximately $42.50 per ton, less the ocean freight, or practically equal to 40 cents per ounce of silver produced in the United States by the smelting process, and were the production of silver

Digitized by Google

confined to this process alone it would affect the value of silver to the extent of approximately 40 cents per ounce, but as silver produced by the electrolytic and electro-chemical processes has recently largely increased, the effect would be to reduce this 40 cents per ounce proportionately, although the total product of lead has been divided by the total product of silver produced by all processes to arrive at the average of silver produced per ton of lead. All this, however, can be arrived at by consulting the statistics on production.

This whole subject is a complicated one. If there were only two conditions under discussion, the subject would be affected by a difference; but when three or more conditions are under discussion then the difference becomes a differential, in favor of or against one or more of the conditions affected, as, in this case, a country on a gold basis buying from another country on a gold basis a product that is bought in competition with a country on a silver basis creates the differential.

It is not my desire to be radical, and if it be a fact that the conditions which I have attempted to show do exist (and I do most confidently maintain that they do exist, although I may be unable to fully satisfy this committee of their existence), then the duty on lead should be ultimately removed. Any change of the duty, however, should be a reasonable, gradual one, and its final removal so timed that the producers of silver who have large works, and employ a large number of men, should not be too suddenly affected. Any changes that may be made in the tariff should extend over a term of years, say with a reduction of one-half cent per pound of duty on lead per annum, which would cover practically the entire reduction in four years.

There is perhaps but one hardship that would be the result of this reduction of duty, and that would be the interests covered by the soft-lead producing district of Missouri. There would be no particular hardship exerted on the smelting interests, because whatever they lose in the duty on lead would be made up to them by the increased price of silver, although the volume of their business would presumably be curtailed.

This subject has engrossed my attention since 1874. At that time I urged friends and relatives of mine to dispose of their holdings of farm land in eastern Pennsylvania. To-day some of these same farms are worth only one-third of the value that they were at that time.

If, after giving mature consideration to the question of whether or not the duty on lead should be removed, reduced, or changed in any manner, and taking into consideration the interests of the producers of soft lead in the Missouri district, it should seem desirable that no changes in the tariff be made, then I would urge that the internal-revenue tax be levied upon that portion of the lead produced in the United States by the process of smelting silver with lead as a flux equal to any duty that may be imposed on lead imported into the United States. And I believe that with equal propriety this same tax should be laid upon all silver produced, either electrolytically or electrochemically, where any duty exists on any portion of the metallic contents forming the component parts of the ores or metals put into the electrolytic bath for the purpose of extracting the silver contents therefrom. Besides, this internal-revenue tax would amount in the neighborhood of $5,000,000 per annum, based upon the present rate of duty, assuming approximately 350,000 tons of lead were produced

Digitized by Google

in 1907 as the whole production of the United States, and assuming that about two-thirds of this amount was produced in the smelting and electrolytic processes (my information being that something over 100,000 tons of soft lead was produced last year in the Missouri district).

Either the duty on lead of 2⅛ cents per pound should be entirely removed or an internal tax equal to any duty that may be imposed upon pig lead should be levied upon that portion produced concurrently with silver, because of its effect in debasing the bullion value of silver, which is partly used in our coinage. Either remedy would be equally effective in curing this defect in an equitable distribution of the duty.

The effect of either one of these two remedies would be instantaneous, would perfectly equalize the duties, and would wipe off of the political map the so-called "crime of 1873." No law that was passed at that time demonetized silver bullion, and no law that has ever been passed, whether to purchase silver bullion or to refrain from purchasing silver bullion, has affected the price of silver bullion. Only the law of supply and demand can accomplish this purpose. The new methods introduced of smelting silver ores with lead as a flux created a condition certainly not contemplated. Only because of the fact that silver is used in part for the world's currency would these conditions be harmful or the differential created.

If a process unknown prior to 1872 enabled the producer of silver and lead to produce his combined metal at a cost very much below any world-known process, and if by reason of his knowledge the producer of this country, having this knowledge and choosing to reach out for the world's market for silver, decided to reduce the price, by reason of the lower cost attained, the using of this discovery, as a country possessing this knowledge, part of our people were benefited. But when this knowledge, acquired from natural laws and sciences, vitiated and changed entirely the clear intent of our tariff law, viz, to equalize as nearly as possible the protection of all the country's interests, but placed the agricultural portion of our country at a disadvantage, then it becomes a question of which is the most important interest to protect—that portion of our people who are benefited by the production of silver and lead concurrently, or the whole of our agricultural population, or both classes—because, after all, these are the two interests that you gentlemen of this committee have to consider in this whole question. The agriculturists have undoubtedly suffered since 1872, and only the removal of the duty on lead entirely or an internal-revenue tax on that portion of the lead produced concurrently with silver will effect a reconciliation of the interests of both the agricultural element of the United States and the producers of silver concurrently with a duty-protected metal.

It may be asserted that as between the two classes of lead, the soft lead of Missouri and the desilverized lead, it would be unfair to place an internal revenue upon the desilverized lead. On the other hand, it is obviously unfair to allow a law to continue to perpetuate a condition it was never intended to create, and did not exist until lead and silver were smelted concurrently. In all our laws relating to the tariff there are none creating the effect herein pointed out.

In conclusion, I wish to submit that the Government of the United States has no moral right to protect with a duty a metal produced

Digitized by Google

concurrently with another metal that is used for its currency, thereby debasing the bullion value of the metal used for its coinage, besides creating a differential against its agricultural population in favor of a foreign country.

J. N. M. SHIMER,
of L. & R. Wester & Co.

EXHIBIT A.

Statement of purchasing power of £5,000 sterling on a given day in New York, Argentina, and India.

Admitting that £5,000 in gold would buy exactly the same number of bushels of wheat delivered in Liverpool on the 22d of July from any country from which competitive wheat could be bought in that market by reason of the freight on the wheat from the remote ports equalizing the cost of the wheat from the less remote ports; also admitting that 5,000 bushels of wheat would sell for the same price per bushel delivered in Liverpool market on a given day, whether it came from a remote or less remote market, provided the quality is equal on a given day, wheat based upon the value of 5 shillings per cental, equal to 73½ cents per bushel in Liverpool, on the 22d day of July, 1896, £5,000 in English gold would buy at the respective ports of New York, Argentina, and India f. o. b. vessel, in New York 35,662$\frac{3}{10}$ bushels, in India 36,953$\frac{2}{10}$ bushels, and in Argentina 37,634$\frac{5}{10}$ bushels of No. 2 red or winter wheat, assuming the quality and grade would be the same in each case. Both the freight and wheat from New York bought in the New York market would be settled for on a gold basis; the wheat bought from Argentina would be settled for based on the value of the Argentina currency, which is silver, and the wheat bought in India would be settled for based on the value of the Indian currency, which is silver. In making these cost prices in silver, and assuming a value of 70 cents per ounce is put upon the silver, it is contended that the removal of the duty of 1 cent per pound on lead on the 1st day of February, 1896, enhanced the price of silver bullion from 60 up to 70 cents per ounce. Should this purchase of wheat have been made on the 30th day of January, 1896, on the basis of the value of silver at 60 cents per ounce, the number of bushels purchased by the £5,000 of English gold in the respective markets would have been as follows: In New York, 35,662$\frac{3}{10}$ bushels; in India, 42,230 bushels; in Argentina, 43,010 bushels.

If, as contended, the further removal of the duty of 1 cent per pound on lead were accomplished, it would enhance the value of silver from 70 cents per ounce to 80 cents per ounce. In this case the number of bushels of wheat £5,000 English gold would purchase, supposing the price of wheat could not have been influenced by the increased value of the dollar in Argentina, would be, in New York, 35,662 bushels; in India, 31,676 bushels; and in Argentina, 32,258 bushels.

Is it not fair to presume if the price of wheat were to advance in Argentina and a smaller number of bushels of wheat could be purchased for the £5,000 of English gold, that wheat would advance simultaneously in the United States? The fact is apparent that in

Digitized by Google

the advance or fall of wheat in Argentina or in India the price of silver and the price of wheat are both affected in these countries. As to the silver, however, so far as it relates to the monetary system of the United States, the values are not affected, because the silver dollar is the equal of the gold dollar and the bullion prices of silver have no effect on the same. Consequently, the price of wheat is affected by the rise or fall of the price of silver.

In New York 35,662 bushels of wheat would be necessary, at 73½ cents per bushel, to pay for £5,000 sterling at the present rate of exchange, and at this time £4,825 sterling would buy in India 35,662 bushels of wheat, and £4,765 sterling would buy the same quantity in Argentina. With silver at 60 cents an ounce it would require £4,136 sterling to buy the same quantity of wheat in India and £4,084 sterling to buy a like amount in Argentina; but with silver at 80 cents per ounce it would require £5,514 sterling to buy 35,662 bushels of wheat in India and £5,446 sterling to buy a like amount in Argentina.

Is it not apparent that the United States would have gotten an equivalent for her 35,662 bushels of wheat to the highest amount obtainable for wheat in either of the countries named, rather than the £5,000 sterling she gets under the present basis of prices?

MARSHALL D. SMITH, GEORGETOWN, COLO., SUBMITS BRIEF RELATIVE TO PRODUCTION OF LEAD.

GEORGETOWN, COLO., *December 10, 1908.*

Hon. SERENO E. PAYNE,
Chairman House Ways and Means Committee,
Washington, D. C.

RESPECTED SIR: Inclosed herewith I take pleasure in handing you a carbon copy of letter to the Denver Daily Republican, published in their issue of December 10.

While I realize that it is very late in the day to present material of this nature to you, I trust that it may be of some slight service and tend to show in a measure what the situation is with us lead producers and what our sentiments are in general if we would express them when called upon to as a matter of justice to ourselves and as a duty to those who are so earnestly endeavoring to represent us and act wisely for the best interest of all concerned.

Thanking you for the opportunity afforded us for thus addressing you in our behalf, I am,

Very respectfully, yours, MARSHALL D. SMITH.

GEORGETOWN, COLO., *December 8, 1908.*

WILLIAM STAPLETON, Esq.,
Editor and Manager of the Denver Republican,
Denver, Colo.

DEAR SIR: A short time back I noted an editorial in your paper in which those interested in the production of lead were urged to address Chairman Payne, of the Ways and Means Committee, fur-

Digitized by Google

nishing him facts and figures concerning the industry, thereby enabling him to arrive at a more just and intelligent understanding of the situation. Our able Representative, Mr. Bonynge, has also made it known, through the columns of your paper as well as other publications, that what is needed by the defenders of the lead-producing interests is not protest, but reliable data.

Up until the present time, being one who is largely interested in the production of lead, I have scanned the columns of various publications in vain and with deep regret for the purpose of ascertaining if this reliable data had been forthcoming from the pens of those not only deeply interested but eminently able to defend the cause.

In the editorial columns of your issue of December 6 I note that you again urge the producers of lead to address Mr. Payne in their behalf, supplying him with all possible definite information concerning the cost of mining and producing lead and its relation to the tariff and quoting a portion of Mr. Payne's reply to Mr. Edward Dozier, of Farmington, Mo., a witness before the Ways and Means Committee, testifying in regard to the production of lead in Missouri. A portion of this quotation is such that I can not refrain from presenting to both you and Mr. Payne a few of the facts concerning the production of lead, with which I am familiar. The quotation referred to is as follows:

> I think it would throw light upon that subject if you could furnish figures showing the cost per pound of mining there in your district. You say it is difficult. It does not appear to me that there is any difficulty, with proper bookkeeping, in showing the number of tons taken out for a definite period and the wages paid out during the same period. That is an easy proposition, or should be, in a well-conducted company.

During the years 1901, 1902, and 1903 I was engaged in operating a lead property in the disseminated lead district of southeastern Missouri and but a few miles distant from Farmington, the residence of the above-named witness, Mr. Dozier. During that period we (as well as the other large lead producers of that district) estimated that the quotation of lead needed to be in the near neighborhood of $4 per hundred pounds, and that the grade of ore mined could not fall below 4 per cent in lead, or, in other words, contain less than 80 pounds of lead to the ton of ore in order to break even and something better than this to operate to a profit. In other words, 80 pounds of lead times $4 per hundred=$3.20 per 80 pounds, or $80 per ton, was what it then cost to produce lead from that grade of ore in that district. Furthermore, it was estimated by engineers thoroughly familiar with that district, among whom I may name such men as Frank L. Nason, of New Haven, Conn., and Arthur M. Winslow, state geologist of Missouri, that the average grade of the commercial bodies of ore in the Fat River district of southeastern Missouri was not above 7 per cent. It should be easy to see from these figures what effect the slightest reduction in the present tariff upon lead would mean to one of the largest sources of its supply in the United States. The production of lead in that section has been reduced to such a fine science and has been carried on upon such a small margin for so many years that if Mr. Payne has not been supplied with an abundance of data corroborative of the above it is certainly beyond my understanding.

Concerning the production of lead in our own State, Colorado, it is entirely a different matter, a matter which, with the exception of

Digitized by Google

probably not over half a dozen mines in the entire State, could not be reduced to anything like facts and figures and in the case of those exceptions only for limited periods of time. To illustrate this point, I will relate an incident of the time of the silver agitation prior to 1893 which occurred on the streets of Boston.

JONES. Why, they tell me that silver can be produced for 25 cents an ounce out there in Colorado. What do you know about it, Brown? You did some mining out there.

BROWN. Yes; I spent about $30,000 out there in one locality.

JONES. Well, what did it cost you to mine silver?

BROWN. Don't know. Never mined a d——d ounce.

JONES. What did you ever do with the property?

BROWN. Sold it to some New Yorkers.

JONES. What did they do with it?

BROWN. Struck it rich within a year and took out several hundred thousand dollars.

This is a narration of facts with the names slightly changed, and is a fair sample of innumerable instances of more or less similar circumstances in all branches of metalliferous mining in the Rocky Mountain region.

To determine what it costs per ounce to produce silver in the above instance, or we will simply shift on to the other foot and call it lead, one would need to know what Jones paid for the property, his complete expense account of operating and maintaining the property while in his possession, as well as what the New Yorkers paid Jones for the property and a full and complete account of all their expenditures, and in many instances the same in regard to a number of holders prior to Jones.

Personally, I can state that for more than a year now I have been operating a lead-silver property to a loss, hoping that lead would again reach the $5 mark, which would enable me to mine a large block of ground to a profit which is low in silver values, but contains quite a per cent of lead. In short, this is one property which can not produce lead at the present quotation of $4.30 per hundred pounds, including a coincident product of silver and some gold. It may not be necessary to suggest that my operations to a loss of this property have consisted entirely of a further development of its resources and not the production of the metal in question.

If Mr. Rozier, of Missouri, considers it difficult to furnish figures showing the cost of mining in his district, I can simply say that a sizeable volume might be compiled concerning the ins and outs of mining in the Rocky Mountain region in general toward the same end and leave no one the wiser. In southeastern Missouri, as well as some other large lead-producing localities, all the conditions are so similar that what applies to the mining of one deposit will apply fairly well to the mining of another, whereas in the fissure-vein mining of the Rocky Mountain region in general it is nearly impossible to find any two deposits of any metal the mining of which would be equally applicable to both.

It will be many years, in fact, if the time ever comes, when deposits of ore of various metals throughout the Rocky Mountain region ranging in value up to several million dollars may not be produced to a profit regardless of their market value, so rich will the ore be in whatsoever metal it may contain. Some of these deposits may require the expenditure of but a few hundred dollars to discover, while others

Digitized by Google

may be discovered only after the expenditure of many times their value. The possibility of discovering one of these largest deposits with the minimum of expenditure is the incentive which will keep mining men digging for all time to come.

But I want to ask, is this gambling chance a just and suitable factor upon which to base the cost of mining any of these metals? Since it seems nearly impossible throughout large sections of the country to determine with any degree of definiteness what the actual cost of production is of an ounce of silver, an ounce of gold, a hundred pounds of lead, a hundred pounds of zinc, a pound of nickel, a pound of cobalt, a hundred pounds of tungsten, and other metals, would it be amiss in coming to a decision concerning the present tariff issue to consider the fact that there are to-day innumerable deposits of the ores of lead and zinc throughout the Rocky Mountain region unhesitatingly designated by mining engineers in general as being of commercial quantities and value which are lying idle and not being mined for reason of the present low price of these metals? It is needless to state that it is quite evident that Mr. Payne shows every intent of fairness and is making every reasonable effort to arrive at a just and equitable decision concerning the tariff on lead and zinc as well as all other commodities.

Yours for prosperity, MARSHALL D. SMITH.

E. F. KENDALL, MANAGER PAY ROCK MINES, SILVER PLUME, COLO., WRITES RELATIVE TO LEAD PRODUCTION.

SILVER PLUME, COLO., *December 15, 1908.*

Hon. SERENO E. PAYNE,
Chairman House Ways and Means Committee,
Washington, D. C.

RESPECTED SIR: Having noted through the columns of our local papers, as well as through the advices of our esteemed Representative, R. W. Bonynge, that you are desirous of obtaining facts and figures appertaining to the cost of producing lead and their relation to the tariff to lay before your committee, I therefore take pleasure in addressing you.

The cost of metalliferous mining in this section is subject to so many and varying conditions that it would require a considerable compilation of data to arrive at anything like a reliable determination. Presuming that it is neither desirable nor practicable to enter into the minute details of the business, I will state in brief that it resolves itself into these principal factors, mining, hauling, milling, freight and sampling, and smelting, which items generally aggregate not less than $8 per ton of crude ore, which crude ore you can see would need to contain more than 10 per cent of lead at a market value of $4 per hundred to meet the cost of production; hence the result that there are not two properties operating in this district at present with lead quoted at $4.30 and zinc at $5.05 where there were ten properties operating two years ago with lead at $6 and zinc $6.50 to $7.

Of course the above figures apply to the mining of ore bodies after they have been discovered and developed, and does not include the

Digitized by Google

cost of exploration and development work appertaining thereto. which would be nearly impossible to estimate in the majority of cases, but which, it is safe to say, frequently far exceeds the gross value of the ore bodies discovered.

Thanking you for your efforts toward an equitable adjustment of these matters, I am,

Most respectfully, yours, E. F. KENDALL,
Manager Pay Rock Mines.

THE LEWISTON (IDAHO) COMMERCIAL CLUB PROTESTS AGAINST ANY REDUCTION OF THE DUTY ON LEAD.

LEWISTON, IDAHO, *December 8, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.

DEAR SIR: At the meeting of the governing board of this club to-day resolutions recently passed by the Spokane Chamber of Commerce protesting against the reduction of the present duty of 1½ cents per pound on lead ores and of 2⅛ cents per pound on lead bullion were unanimously indorsed, and I was instructed to advise you of such action.

I was also instructed to advise our Senators and Congressmen that it was the sense of this club that the present duty on lead ores and bullion should be retained in the interests of the lead mines of our State.

Very truly, yours, J. A. COOK, *Secretary.*

SILAS FRANK, CREEDE, COLO., URGES RETENTION OF PRESENT DUTIES ON LEAD AS A PROTECTIVE MEASURE.

CREEDE, COLO., *December 14, 1908.*

Hon. ROBERT W. BONYNGE, M. C.,
Washington, D. C.

SIR: Lead, first of all, ought to be one of the products of this country that should receive the fullest protection by duty to maintain its price and production. Lead is a metal that must be mined as all minerals are, and when removed from the earth it depreciates the value of its source by the amount removed, as it can never be replaced, and the supply will surely be exhausted in a limited time.

It is absolutely necessary in order to continue the production of lead that it should demand a good price for the reason that mining is not like other business, as it is impossible to figure out just what the future will be for a mine that has not been fully explored. Some properties look like they might be made to rank among the largest producers and without any known reason turn out to be worthless and cost the owners vast sums of money. To continue the production the prices must look inviting to capitalists or otherwise they will not take the chances of placing their money for the development of this industry. The mining industry is so largely supported because people think

Digitized by Google

it is a quick way to become wealthy, and if prices are reduced it will afford no incentive to try and find or develop a mine, because if you do find one it will not return more than any ordinary investment, such as stocks and bonds, which one can purchase and always figure on a certain percentage on the money invested without any trouble or responsibility.

To make the mining of lead a permanent thing, the price must be sustained, as otherwise mining men will not look for and develop mines of this nature and the supply of lead will be dependent upon that found incidental to other kinds of mining. It is more expensive now to operate lead mines than it was in the past, as in most lead-producing sections it requires large hoisting plants and expensive pumping machinery and other heavy and costly appliances to mine. The mining now is of a deep character and requires all modern equipment to make money. I will venture to say that of all the properties now operating, not 10 per cent of them pay dividends and that if it were possible to compute the amount of money expended in looking for mines and operating the ones that do not pay the percentage of net earnings on the whole investment each year would not pay as much as the interest on the same investment in Government bonds. It is quite true that some lead mines are large dividend payers and appeal strongly to some to venture into the mining business, but we do not hear about the many failures and are apt to be overimpressed with the possibilities of the lead-mining industry.

The lead mines furnish thousands of people with work and it affects business not only in the mining centers, but also in the agricultural and manufacturing districts of this country. Mines and mining men have done more to develop the western country than any other class of people. The mines were first discovered and then the railroads were built and the smelters and mills erected; then the farming and fruit raising followed, if the soil happened to be suitable to the latter industries.

If the duty on lead is not retained the wages that the miner receives will no doubt have to be reduced, and this class of labor should be well paid, because it is a hazardous occupation and some of our best men follow this for their livelihood. This country is in direct competition with the producers of lead in Mexico, where the wages are just about one-third of the wages paid to miners in this country. We should not be subjected to competition with this class of labor. We should be allowed the full protection that the present tariff gives to us, and then if we have an overproduction it gives us a chance to sell in foreign countries, which keeps this industry moving continuously and affords work for those dependent upon lead mining and indirectly benefits other lines of business.

This Government is not required to spend any money looking after the products of mines as it is for other purposes, and the mining business is one that is legitimate and inexpensive to the Government, and should be encouraged in every fair manner, or otherwise this particular metal will cease to be produced in this country in quantity after the present large mines are worked out, which will occur in time.

The foundation and emanation of our great wealth comes from mining and farming, and if the country is to maintain prosperity these particular industries should be given all help that can be directed toward sustaining prices; without good prices for our metals

Digitized by Google

and good prices for our farm products the country will not grow nor will wages remain where they are nor will the manufacturing industry employ the thousands that it is now doing. If the miner can afford to pay the duty that is charged on material he uses, there is no question but that the farmer can do so, and as all other business is dependent upon mining and farming there should not be any complaint from any other source regarding the tariff which would affect these great foundations of the wealth of this great country. Unless the Government thinks that lead mining is a detriment to the people of our States it can not do other than sustain the present duty on lead.

Respectfully submitted.

SILAS FRANK.

THE LEAD PRODUCERS AND MINERS OF IDAHO ASK RETENTION OF PRESENT DUTIES ON LEAD ORE AND BULLION.

WASHINGTON, D. C., *December 5, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: On behalf of the lead-producing industry of the State of Idaho, and of the Rocky Mountain region generally, we respectfully petition your honorable committee not to make any reduction in the present lead tariff schedules, with particular reference to lead in ores and bullion, paragraphs 181 and 182.

But while speaking particularly for the lead producers of the Far West, practically all that we have to say applies with equal force to the producers of soft lead in Missouri, Kansas, and Wisconsin.

In support of our petition, we submit the following facts for your careful consideration:

That at the present time there are no exports of lead from the United States, except a portion of the lead imported and smelted in bond; but that there has been imported and consumed in the United States during the last three years 105,000 tons of foreign lead, equal to over 10 per cent of the entire domestic production of lead during that period.

That any reduction in the present tariff on lead in ores and bullion would result in the practical suspension of the mining and production of lead ores in the United States.

That the mining and production of lead ores in the United States is an industry of very great value and importance to the people of this country.

That the suspension of such mining and production of lead ores would deprive our people of the great financial benefits which flow from the present industry, and to a corresponding extent inure to the benefit of the foreign producers of lead.

That the reduction of the duty on lead and the suspension of lead mining in the United States would not result in any appreciable benefit to the consumers of manufactured lead products.

For more than fourteen months past the New York quotation for lead averaged approximately 4.3 cents per pound, which is also the quotation at the present time.

Digitized by Google

Should the tariff on lead in ores and bullion be reduced, it would mean the practical suspension of lead production in Idaho, and the cessation of prospecting for other lead fields or mines. For experience has shown that the early years in the life of a lead mine are not only profitless, but absorb a large amount of money and energy in its development to a paying basis; and the latter years in the life of a mine are also generally unprofitable, by reason of the maintenance of the large plant and organization which has been built up, while the ores are diminishing in quantity and value. The intermediate period, during which the mine is actively producing, is the only period in which any profit can be made; and it would be quite impossible during such a period to lay aside enough to cover construction and equipment accounts, and the redemption of capital invested, together with fair interest thereon, should the tariff on lead be reduced.

In that event profitable lead mining in Idaho would necessarily cease, and many of the mines would be forced to close, which would result in a disorganization of the lead-smelting industry in the Rocky Mountain region, for these argentiferous lead ores are essential to the economic smelting of the siliceous ores produced by the mines of California, Nevada, Utah, Colorado, and Montana. Without them the smelting charge for the siliceous ores would be greatly increased, so that much of such siliceous ores could no longer be produced at a profit. The closing of the lead mines would thus be the cause of closing many other mines and diminishing the output of gold and silver, and resulting in a large loss to the people of California, Nevada, Utah, Colorado, and Montana, and throwing thousands of men out of work in those States.

The smelting plants which could obtain no substitute for these lead ores would also be forced to close.

In this connection we quote the following from an article reviewing the history of lead production in the United States in the year 1907, which appeared in the Engineering and Mining Journal of January 4, 1908:

> The restriction of operations by the American Smelting and Refining Company and United States Smelting, Refining and Mining Company affected seriously the producers of siliceous gold ore at Tonopah and Goldfield, Nev. These ores are smelted largely on the lead basis. They are mixed with lead ore, and consequently in smelting them, pig lead is produced, but lead being quite unsalable the companies naturally desired to produce as little as possible, and consequently were unable to smelt so much of the siliceous ore as usual. The refusal of the companies to accept siliceous ore caused considerable outcry in Nevada, where the conditions were not understood, but, of course, the smelters in self-defense could not do otherwise than they did, the financial situation being such that an increased amount of money could not be safely locked up in ores not immediately available for smelting.

The lead-mining industry of the Rocky Mountain region gives employment to about 15,000 men, at the highest average wages paid to labor in the United States. The transportation of the ores and the pig lead produced therefrom give to the railways of the country an annual revenue of between $6,000,000 and $7,000,000, besides the transportation of the supplies used in operating the mines, and by the numerous communities dependent upon them. The closing of the lead mines would cut off this revenue from the railroads, causing several thousand railway employees to be thrown

Digitized by Google

out of work, as well as the 15,000 miners and others directly employed in and about the mines. The Rocky Mountain region produces about two-thirds of the total lead mined in the United States, the other third being produced by Missouri, Kansas, and Wisconsin; and the suspension of lead mining would cause a corresponding loss to the people of those States.

Almost the whole of the lead output of the State of Idaho is produced by the mines of the Coeur d'Alene district, in the northern part of the State. The importance of the industry in that district can not be stated more forcibly than it was stated in the decision of Judge Beatty of the United States court, district of Idaho, in certain litigation in which an injunction was sought to close the mines, from which opinion we quote as follows:

If this injunction is granted, it must result in the closing not only of the mills, but also the mines. Generally the ores are of such low grade that they can not profitably be shipped until concentrated; hence the mills must be operated. If they are, the water used in them must finally reach the said river, bearing such sediment as it is impossible to impound in the reservoirs. The court must consider the consequences of closing these mills and mines. It must bear in mind the very great hardship and loss to the defendants. They have many millions of dollars invested in their properties and are now conducting an immense business, which is not only of much profit to them, but also of great business interest to others. But of equal consideration is the fact that it would deprive thousands of laborers of employment who are now earning good wages. Also there are many others engaged in various avocations who would be seriously affected. I presume it is safe to say that there are ten to twelve thousand people who are now earning a livelihood through the operation of these mines and mills, all of whom would be seriously injured by an injunction. The court will long hesitate before taking such a drastic mode of guarding complainant's interest, as would result in incalculable injury, not only to the defendants, but also to large communities.

But admitting that complainants have suffered injury and may suffer more, from the causes alleged, there is a potent reason why the court should exercise its discretion against the issue of a restraining order. Without detailing the reasons, such an order would mean the closing of every mill and mine, of every shop, store, or place of business in the Coeur d'Alenes. There are about 12,000 people, the majority of whom are laboring people dependent upon the mines for their livelihood. Not only would their present occupation cease, but all these people must remove to other places, for the mines constitute the sole means of occupation, and when they finally close, Wallace and Wardner, Gem and Burke, and their surrounding mountains will again become the abode only of silence and the wild fauna. Any court must hesitate to so act as to bring such results.

This decision of Judge Beatty, denying the injunction, has been recently affirmed by the United States circuit court of appeals in an opinion wherein the following language is used:

The extent and value of the mining operations of the appellees are not controverted, and it is practically conceded on behalf of the appellants that the granting of the injunction, to which it is insisted they are entitled, must necessarily result in closing those great operations in the Coeur d'Alene region, in the depopulation of that section of the country, the destruction not only of the mining business there, but the business of the numerous towns that are shown by the record to be wholly dependent upon that industry, and the depriving of many of the farmers themselves in the valley of the Coeur d'Alene River of a market for their products. If the established principles of equity entitle the appellants to this drastic relief, it must, as a matter of course, be awarded them, however disastrous the consequences. But is the case made by the record such as to demand or even justify the injunction sought? It is very evident from the record that the exaggerations and misstatement of matters of fact are very gross. The case itself is, like all such cases are, of very great

Digitized by Google

importance and calls for the exercise of the greatest care and caution in its consideration and disposition lest the weak be not afforded the protection to which they may be justly entitled, and, on the other hand, lest the strong be denied their just rights, acquired in the pursuit of enterprises not only lawful in themselves, but sanctioned and encouraged by both national and state legislation, and redounding to the great good of thousands of people and to the country as a whole.

The profits derived from lead mining are, taken altogether, small. They may in some cases be large, though even in such cases the mines which may be in bonanza to-day have had their periods of hard times and will have them again. Bonanzas are notoriously short lived. But, taking the industry as a whole, the profits do not pay back the investment and interest thereon. Scores of mines are developed and operated at a loss, though always in the hope of better things to come—the hope of finding a bonanza. But if the tariff be taken off lead, even the average bonanza lead-ore deposit would yield little or no profit, and there would be taken away the incentive which causes miners to seek and develop lead mines.

It should be borne in mind that mining is unlike other businesses, in that the longer a mine is operated the less its intrinsic value becomes. It uses up its capital continuously by the exhaustion of its ore bodies, and its profits must be considered not only as interest on capital invested, but as a redemption of capital as well.

From a book published this year, entitled "Lead and Zinc in the United States," by W. R. Ingalls, editor of the Engineering and Mining Journal, we quote the following relative to the cost of producing lead in this country:

But in the meantime the ores of high grade in lead and silver have disappeared, and it has come to pass that the bulk of the lead production of the United States is obtained from very low-grade ore. It is undeniable that the tariff on lead has raised the price which American consumers have had to pay. It is doubtless true that at certain periods the price has been maintained in this way at figures which have given unnecessary advantage to the producers. But, on the other hand, it is evident from a study of the history of the industry that the increase in domestic lead production, which has not more than corresponded with the increase in domestic consumption, has been greatly stimulated by the advantage in price which the tariff has bestowed, and, moreover, this has fostered not only the lead industry alone, but also the mining and smelting of ores containing the precious metals, which, in the absence of an abundant supply of lead ore, would have to be worked by less economical methods.

It is dangerous to generalize the cost of producing lead for the whole country, or even for a particular district. In the case of southeastern Missouri this can be done with more safety than in any other, because there the only value of the ore is in its lead content, and the grade of the ore mined, conditions of occurrence, and methods of mining are rather uniform throughout the district. In 1882 the cost of pig lead delivered at St. Louis by the large producers was 3 to 3.5 cents per pound.[a] In 1884 the Engineering and Mining Journal expressed the opinion[b] that if freights were better adjusted the majority of the producers of the United States could stand a price of 3.5 cents, or even 3.25 cents, but the pressure of lead at 2.75 cents would be such that as that figure was approached the number of idle mines would increase in geometrical ratio.

In 1899 the cost to the principal producers of southeastern Missouri was 2.25 per pound, delivered at St. Louis. However, none of the figures above given includes interest on the money invested, return of the principal, etc.[c] The pur-

[a] Mineral Resources of the United States, 1882, p. 312.

[b] February 2, 1884.

[c] It is utterly misleading to draw conclusions from figures which do not take those factors into account. Producers who are already established may be willing for a time to sell their output at a price which returns only the direct cost, or even less, rather than incur the greater loss of suspending operations, but so long as such a condition exists no new capital will go into a business where the adventurers can not see a return of the principal and a proper interest upon it.

chase of an acreage of land sufficient to warrant development on a large scale, the sinking of shafts and equipment of plant a few years ago would cost about $1,000,000 for a productive capacity of 10,000 tons of pig lead per annum. Estimating amortization at 10 per cent and interest at 5 per cent, the annual fixed charge would have been $150,000, or 0.75 cent per pound of lead. A total cost of production of 3 cents per pound, basis St. Louis, is probably the lowest on record for the southeastern Missouri lead. At present the cost is considerably higher. It is a fact that this lead has been sold at a lower price than 3 cents, but it has been at a less, all charges considered.

In Chapter I it was estimated that the cost of producing lead in the Coeur d'Alene in 1907 was in the neighborhood of 3.3 to 3.5 cents per pound, basis New York delivery; i. e., if the price of lead should be 3.5 cents per pound and the price of silver 50 cents per ounce at New York, some of the Coeur d'Alene large producers would realize no profit even after disregarding allowances for amortization. It would be highly difficult to generalize the capital account in this district, but probably it would not be far out of the way to say that the total cost of producing lead in the Coeur d'Alene is in the neighborhood of 4 cents per pound, when silver is worth only 50 cents per ounce.

There is no question that lead can be produced more cheaply in Mexico, Europe, and Australia than in the United States, inasmuch as the price at London for long periods has been lower than 3 cents per pound, and the output of the mines is maintained. The superior advantage of the foreign countries is partly in cheaper labor, partly higher grades of ore, which more frequently than in America yield two valuable products, e. g., zinc and lead, as in Australia, and partly in shorter railway hauls. The cost of smelting and refining is as low in the United States as anywhere in the world; the freights on the whole are higher—not per ton-mile, but in the aggregate of miles; the cost of mining per ton of concentrated product is doubtless higher on the whole, which is attributable to the higher rates of wages.

The foregoing statement of the cost of producing lead in the Coeur d'Alene district is rather under than over the mark. And as the price for pig lead during the last ten years has averaged only 4.527 cents per pound, it will be seen that there has been only one-half cent a pound as the average margin of profit to the producers. This is, say, $10 per ton of pig lead, or about $1 per ton of ore mined—the average lead content being approximately 10 per cent. This surely can not be considered an excessive profit. As a matter of fact, it does not represent an adequate return on the money invested.

It should be noted that nearly all of the material and supplies used in connection with lead mining, such as machinery, cars, shovels, picks, iron and steel, rope, powder, etc., are protected by the tariff. And it would be a manifest injustice to require the lead producers to pay the higher prices for these things which the tariff entails, as well as to pay the highest wages in the country, and at the same time require them to sell their product in competition with the cheap labor of Mexico, which is paid an average wage of only 52 cents per day.

As to wages paid Mexican miners, we quote from Romero's Mexico and the United States, page 516, as follows:

Miners (skilled), 52 to 78 cents (gold) per day.
Miners (ordinary), 26 to 41.6 cents (gold) per day.

And as to the efficiency of such labor, we quote from Mexico's Treasure House, by Percy F. Martin, F. R. G. S. (New York, 1906), page 61, as follows:

People who study the pay-roll sheets of Mexican mines and compare the figures with those of, say, American miners, observing what is to them the

Digitized by Google

extraordinary anomaly of a Mexican receiving but 75 cents as against an American's $3.50 gold a day, are apt to miss the very important point that while the former is "absurdly cheap," he is less than a quarter as good or as reliable. It is to be remembered that a Mexican laborer in the mines is only about one-half to two-thirds as efficient as an American miner.

Thus it will be seen that, with all proper allowance for the relative efficiency of the Mexican miners and laborers, the labor cost of producing ore at the Mexican mines is only, approximately, one-third of the cost of production at the mines in the Rocky Mountain region.

Another factor in which the Mexican lead producers have a great advantage is in the matter of transportation. From the principal Mexican lead mines to the Mexican smelters the freight on ore is $3 per ton, and as the ore contains about 50 per cent lead, the freight is equal to $6 per ton of pig lead. And from the smelter to New York the freight on pig lead is $4 per ton, making the total cost of transportation from the mines to the New York market only $10 per ton of pig lead. The Idaho mines pay $8 per ton for freight on their ore to the smelters in Colorado, equal to $16 per ton of pig lead; and from the smelter to New York the latter costs $7 per ton. The total cost for freight is therefore $23 per ton of pig lead, as against $10 per ton from the Mexican mines, a handicap for us of $13 per ton.

Next to the United States, the largest lead-producing country in the world is Spain, and with any reduction of the duty Spanish lead would also come into this country. As indicating the conditions at the Spanish mines, with which, in that case, our miners would have to compete, we give the following telegram received by the writer:

NEW YORK, *December 15, 1908.*

F. BURBIDGE,
Hotel Shoreham, Washington, D. C.:

Telegram received. Spanish lead mines pay good miners, near as good as American, 70 to 80 cents. Shovelers, carmen, and common laborers, 50 to 60 cents day. Board and room $6 month, house rent from $2 to $3 month.

D. CARDONER.

Mr. Cardoner is a Spaniard who has had many years' experience in mining in Idaho, and who is at present working a lead mine in Spain.

It should also be mentioned here that the production of lead in British Columbia has been fostered by a bounty of three-fourths of a cent per pound, paid by the Dominion government, while at the same time the producers have the benefit of a tariff of 15 per cent ad valorem.

A reduction of the duty on lead in ores from 1½ to 1 cent per pound would require an increase of 50 per cent in the quantity imported to produce the same revenue.

At the present time the importation is as much as the markets of the country can absorb, and no increase in the quantity imported could be absorbed without displacing a corresponding amount of the lead produced from our own mines, with the consequent losses, direct and indirect, that would follow.

If the importations should, by reason of reduction of the duty, increase, say, 20,000 tons per annum, there would be a loss to the people of the United States of $1,200,000, the amount of money which would be sent abroad to pay for such importation. That would represent a loss of about $200,000 on capital invested, and about $1,000,000 would be lost to the labor which would otherwise have been

Digitized by Google

engaged in mining, smelting, and transporting the ore, and in the manufacture and distribution of the machinery and supplies used in connection therewith.

Even under the present tariff considerable foreign lead does come in, and a reduction of the duty would make it possible for the foreign producers to largely increase their shipments to this country. It is exceedingly probable that all of the lead imported in ores from Mexico and now smelted in bond here and reexported would be allowed to remain in this country.

In that case the increase in the amount of lead imported would exceed 50,000 tons per annum; and the amount of money sent out of the country would be not less than $3,000,000, which would be a total loss to our people.

During the year 1907 the State of Idaho produced 111,697 tons of pig lead, practically all of it coming from the Coeur d'Alene district. With this lead there was produced approximately 5,584,850 ounces of silver, and the combined value of the lead and silver amounted to $15,555,315. This large sum was distributed about as follows:

Forty-seven per cent, or $7,310,998, was the cost of production at the mines, $4,825,260 being paid for labor, and $2,485,738 was paid for machinery, supplies, fuel, etc., drawn from almost every State in the Union.

Thirty-three per cent, or $5,133,254, was paid for transportation and smelting.

Twenty per cent, or $3,111,063, represents the margin left to the owners of the mines, for interest on their investment, redemption of capital, and further expenditures on capital account.

Of the $4,825,260 paid to labor the greater part was expended by the wage-earners for the necessaries and luxuries of life and for the acquisition and maintenance of their homes; for their foodstuffs from the agricultural States from the Mississippi River to the Pacific coast, and for clothing, furniture, and scores of other manufactured articles from the manufacturing States east of the Mississippi.

Similarly the $5,133,254 paid for transportation and smelting of the ores, was, for the most part, distributed by the railway and smelting companies as wages to their employees, who in turn expended it for food, clothing, and other necessary supplies. In fact the whole gross value of the ore went, directly or indirectly, to labor.

The total lead output of the country, with its accompanying silver, has an annual value of approximately $40,000,000, which vast sum represents the wages of about 50,000 men employed in and about the mines and smelters, and on the railways engaged in transporting the ores, and the bullion produced therefrom. The value of the gold and silver ores which are smelted on the lead basis probably amounts to as much more, and pays the wages of probably another 50,000 men. To reduce the duty on lead would mean to stop most of this mining; stop the creation of millions of new wealth from the country's natural resources; and throw out of work 100,000 men, forcing them to seek employment in other fields, already fully occupied. And all for the benefit of the foreign lead producers; for the American consumer of manufactured lead products, white lead, sheet, shot, and pipe, will not find the prices of these articles appreciably lowered.

Digitized by Google

If reference be made to the table attached hereto, showing the prices of pig lead and dry white lead for the years 1895 to 1907, inclusive, it will be seen that there is not a direct relation between the two prices. Taking the period of ten years, 1898 to 1907, during which the present tariff has been in existence, and comparing it with the period of three years, 1895 to 1897, during which the tariff was only one-half of the present tariff, we find the prices averaged as follows:

	Pig lead.	Dry white lead.
	Cents.	*Cents.*
1898-1907	4.527	5.500
1895-189[illegible]	3.263	4.958
	1.264	.542

Showing that although in the earlier period the price of pig lead was 1.264 cents per pound lower than in the later period the price of white lead was only 0.542 cent lower.

In the fall of 1907 the price of pig lead fell 2¼ cents per pound, but the price of white lead fell only three-fourths cent per pound.

There has been forwarded to us for presentation to your honorable committee a petition for the retention of the present duty on lead signed by 2,372 citizens of the Coeur d'Alene district. The signatures are those of merchants and professional men, as well as miners and others immediately dependent on the operation of the lead mines, who desire that the present conditions be permitted to continue unchanged. We submit this petition herewith, confident that it will receive due consideration.

Attached hereto will be found tables showing the domestic production of pig lead; importations of pig lead; importations of lead in ore and furnace products to be smelted and refined in bond; the exportations of pig lead; balance of imported lead remaining in this country; world's production of pig lead; annual prices of pig lead at New York and London; wages paid in the Coeur d'Alene district; production of lead in Idaho; prices of pig lead and dry white lead. We hope to be able to file a supplemental showing a little later, when some data are received from Idaho, of further facts bearing upon this subject.

Respectfully submitted.

FREDERICK BURBRIDGE,
Representing Idaho Lead Producers and Miners.

EXHIBIT A.

THE HONORABLE HOUSE COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

SIRS: We, the subscribed citizens of the Coeur d'Alene mining district, Idaho, being merchants, miners, and laborers, respectfully present for the careful consideration of your honorable body the follow-

Digitized by Google

ing facts, together with the earnest request that the present import duty on lead in ores and lead bullion be not decreased.

A reduction in the present duty would necessitate the readjustment of the present satisfactory economic conditions in our country and the whole western mining field.

(*a*) There are approximately 5,000 men employed in and around the lead mines of Idaho, at an average wage of $3.65 for eight hours' work. As much of the lead ore now produced yields but a narrow margin of profit, the removal or reduction of the present import duty would directly necessitate a large reduction in the above force of men, or in a reduction of the rate of wages paid, to meet the competition of the Mexican mines, which are the most available source of foreign lead ores and which are operated by labor paid 85 cents to $1 per day.

(*b*) The entire mining industry of the Rocky Mountain region of the United States is dependent upon cheap and easily attained smelter facilities for the marketing and reduction of the ores produced.

The smelting industry and the economic recovery of the values from the siliceous ores of Colorado, Utah, Nevada, California, and Montana are dependent upon a regular and generous supply of lead ores, particularly the argentiferous lead ores from Idaho.

Lead ore is the essential basis of smelting operations, and the siliceous ores of the Rocky Mountain regions depends largely for a supply of lead ores from Idaho, and particularly from the Coeur d'Alene district.

(*c*) The United States Geological Survey report shows the following yearly yield as the product of the United States, in tons of 2,000 pounds, of refined lead:

	Tons of 2,000 pounds.
1902	207,000
1903	288,000
1904	307,000
1905	302,000
1906	350,168
1907	365,156

The high prices of 1906 and 1907 were able to bring out an increase of less than 15 per cent over the preceding years, and the lower prices for 1908 have already resulted in a large decline of the production. No domestic lead is exported, and domestic stock rarely exceeds 30,000 tons, which is about one month's supply.

(*d*) The Coeur d'Alene district during 1905, 1906, and 1907 yielded 32 per cent of the total lead production of the United States.

A large portion of this came from ores of such grade that small profits was won, and at lower prices this profit would disappear.

During the winter of 1907–8, when the lead quotations fell below $4 per hundred pounds, all mines in this district closed, and remained closed, excepting two, until lead quotations again rose above $4 per hundred pounds.

Without ample tariff protection the discovery and development of new lead-producing fields in the United States will cease and the prospecting of older fields for new mines will languish.

Respectfully submitted by A. S. McKenzie and 2,371 others.

Digitized by Google

EXHIBIT B.

The following tables show—

First. The domestic production of pig lead.

Second. The importations of pig lead.

Third. The importations of lead in ore and furnace products to be smelted and refined in bond.

Fourth. The exportations of pig lead.

Fifth. Balances of imported lead remaining in the country on which duty was paid for the years 1900 to 1907, each inclusive.

Sixth. World's production of pig lead.

Seventh. Annual price of pig lead for ten years at New York and London.

Eighth. Wages paid in Coeur d'Alene district, Idaho.

Ninth. Production of lead in Idaho.

Tenth. Prices of pig lead and dry white lead.

(1) *Domestic production of pig lead.*

	Tons of 2,000 pounds.
1900	279, 107
1901	279, 922
1902	280, 524
1903	276, 694
1904	302, 204
1905	322, 474
1906	348, 215
1907	350, 130

Approximately one-third of the domestic production of lead comes from Idaho, one-third from the Mississippi Valley, and one-third from Colorado, Utah, and other Western States.

(2) *The importation of pig lead.*

	Tons of 2,000 pounds.
1901	604
1902	2, 529
1903	3, 023
1904	8, 724
1905	5, 720
1906	11, 763
1907	9, 277

(3) *The importations of lead in ore and furnace products to be smelted and refined in bond.*

	Tons of 2,000 pounds.
1900	114, 397
1901	111, 867
1902	105, 185
1903	103, 384
1904	104, 128
1905	92, 608
1906	72, 371
1907	70, 538

Digitized by Google

(4) *The exportations of pig lead from bond.*

	Tons of 2,000 pounds.
1900	100,288
1901	100,026
1902	82,228
1903	81,971
1904	84,142
1905	50,741
1906	47,323
1907	51,502

(5) *Balance of imported lead remaining in the country on which duty was paid for the years 1900 to 1907, each inclusive.*

	Tons of 2,000 pounds.
1900	14,109
1901	12,405
1902	25,487
1903	24,436
1904	28,710
1905	38,637
1906	36,800
1907	28,313

(6) *World's production of pig lead.*

[Metric tons.]

Producing country.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
Spain	179,900	162,900	154,500	149,500	172,500	164,300	177,800	180,700	180,900	185,800
Germany	132,700	129,200	121,500	123,100	140,300	145,300	137,600	152,600	150,700	140,000
France	10,900	16,900	17,000	21,000	18,800	23,300	18,800	24,100	25,000	23,000
Great Britain	50,000	42,000	35,500	35,600	25,800	31,300	24,400	23,300	24,000	27,400
Belgium	19,300	15,700	16,400	18,800	18,900	20,300	23,500	22,900	22,200	25,800
Italy	24,500	20,500	23,800	26,200	26,500	22,100	23,500	19,100	21,300	22,900
Austria-Hungary	10,700	10,700	11,900	10,800	11,700	12,400	13,100	13,500	16,400	15,400
Greece	18,700	18,300	16,700	17,700	15,900	16,100	15,200	13,700	12,100	13,800
Canada	14,400	9,900	28,600	23,600	10,400	8,200	17,200	25,700	23,800	21,000
Australia	67,000	87,600	87,100	83,400	82,100	89,600	119,400	107,000	93,000	97,000
Mexico	61,100	77,300	80,000	78,000	94,100	48,500	83,900	75,000	54,000	72,000
United States	231,000	210,000	269,000	273,000	267,500	303,000	296,000	312,500	334,800	340,700
Other countries	6,700	8,700	9,300	6,400	6,600	11,000	13,700	13,800	14,400	14,900
Total	826,900	800,700	871,300	867,700	891,100	895,400	964,100	983,900	973,200	999,700
Percentage produced by United States	27.93	25.93	30.87	31.48	30.02	33.84	30.70	31.76	34.40	34.08

Above table from statistics compiled by Metallgesellschaft, Frankfort on the Main.

(7) *Average annual price of pig lead.*

[In cents per pound.]

Year.	New York.	London.
1898	3.78	2.82
1899	4.47	3.22
1900	4.87	3.69
1901	4.33	2.72
1902	4.07	2.45
1903	4.24	2.51
1904	4.31	2.60
1905	4.71	2.98
1906	5.66	3.77
1907	5.33	3.15
Average for ten years	4.527	2.991

Digitized by Google

(8) *Wages paid in Coeur d'Alene mining district, Idaho.*

[For eight hours' work.]

Miners	$3.50 to $4.00
Muckers	3.00 to 3.50
Laborers	3.00 to 3.50
Timbermen	3.50 to 4.00
Pump men	4.00
Boiler men	3.50
Engineers	4.50 to 5.00
Shift bosses	5.00 to 6.00
Track and pipe men	3.50 to 4.00
Blacksmiths	4.00 to 5.00
Blacksmiths' helpers	3.50 to 4.00
Machinists	3.50 to 5.00
Mill men	3.50 to 4.00

(9) *Production of lead in Idaho.*

	Tons of 2,000 lbs.
1901	79,654
1902	84,742
1903	94,811
1904	103,411
1905	107,000
1906	121,584
1907	111,607

Approximately 98 per cent of the above was produced from the mines of the Coeur d'Alene district.

Average prices of pig lead and dry white lead, 1895 to 1907, inclusive.

[In cents per pound.]

Year.	Pig lead.	Dry white lead.
1895	3.23	4.625
1896	2.98	4.625
1897	3.58	4.450
1898	3.78	4.625
1899	4.47	5.187
1900	4.37	5.812
1901	4.33	5.031
1902	4.07	4.625
1903	4.24	5.687
1904	4.31	5.250
1905	4.71	5.937
1906	5.66	6.562
1907	5.33	6.437

THOS. L. WOOD, DENVER, FILES LEAD-ORE SETTLEMENT SHEET, SHOWING PROCEEDS OF CARLOAD OF CONCENTRATES.

DENVER, COLO., *December 12, 1908.*

Hon. ROBERT W. BONYNGE,
House of Representatives, Washington, D. C.

DEAR SIR: I inclose ore-settlement sheet, showing proceeds of a car of lead-silver concentrates recently shipped, and have noted, in red ink on same, the facts and figures of costs of operation.

This shipment represents the first car of concentrates shipped from our plant, which is just being placed in operation after a number of

Digitized by Google

years spent in opening up the mines, and an investment approaching $200,000.

We are situated at the base of Arapahoe Peak, in Boulder County, close to timber line, where operation is difficult and expensive, but our veins are capable of producing good tonnage of lead-silver ore, if operated on a large scale, but this requires extensive development and large expenditure for milling plant.

The veins vary much in size, and the ore varies much in lead percentage, and there is a large element of risk, at the best, in operating such a property.

It would, of course, be very hard lines for us to be "nipped in the bud" by reduction of the tariff on lead, just as we are getting ready to do business.

Yours, respectfully,

THOS. L. WOOD.
Manager, Cashier Mining and Milling Co.

EXHIBIT A.

Ore settlement, American Smelting and Refining Company, Globe Plant.

DENVER, COLO., *October 14, 1908.*

Bought of Cashier M. & M. Co., Hill Siding:

Smelter No. 7711, mine No. 1, car No. 5061; gross pounds, 28,700, minus 398 pounds, equals 28,302; moisture, 4 per cent; net pounds, 27,170; assay, gold, 0.125 ounce; silver, 24.1 ounces; lead, 47.9 per cent; basis of settlement, gold, $19 per ounce; silver, 95 per cent; lead, 50 units; treatment per ton, $1; net value per ton, $37.09; total value, $503.87; freight deducted, $43.05; net value, $460.82, minus prepaid charges on empty car, $1.78, leaves net value of $459.04; deduct hauling, mine to railroad, $3 per ton, $42; net returns at mine, $417.04.

New York quotations, October 8, 1908: Silver, 51⅝.

Analysis: S_iO_2, 13.4; Fe, 8.9; Zn., 5.4; S., 15.2.

To produce 27,170 pounds concentrates we crushed about ten times the amount of crude ore—say 136 tons—making proceeds at mine about $3 per ton for the crude ore, against which must be charged costs of mining, milling, management, insurance, taxes, etc., which, on a 75-ton daily capacity, are not less than $2 per ton, and this does not cover mine development nor interest on investment.

Our only hope of profits is in crushing large tonnage and in prices for lead and silver not less than at present.

THOS. L. WOOD.
Manager, Cashier M. & M. Co.

STATEMENT OF EDWARD BRUSH, OF NO. 165 BROADWAY, NEW YORK CITY, REPRESENTING THE AMERICAN SMELTING AND REFINING COMPANY.

WEDNESDAY, *December 16, 1908.*

The CHAIRMAN. You are connected with the American Smelting and Refining Company?

Mr. BRUSH. Yes, sir; I am one of the vice-presidents.

The CHAIRMAN. Have you any statement that you would like to make?

Mr. BRUSH. No; I came at your request, and I would be very glad to answer any questions and to amplify them so far as I can.

Digitized by Google

The CHAIRMAN. Your company is engaged in the smelting and refining of lead ores?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. And zinc?

Mr. BRUSH. Copper ores, but not zinc ores; lead and copper ores.

The CHAIRMAN. Where are your works located?

Mr. BRUSH. Throughout the West at the most convenient points for the receival of the ore from the Rocky Mountains. We also have some smelters in Mexico. Our refineries are at Omaha, Chicago, and Perth Amboy, on the harbor of New York.

The CHAIRMAN. Then the refining is not done at the same place as the smelting?

Mr. BRUSH. No, sir; it is an entirely different process, and is done at a point where we can get more skilled labor, and where other features, coal and coke, and zinc particularly—which is one of the large items of consumption in the refining of lead—can be obtained at reasonable prices.

The CHAIRMAN. Have you a smelter in Utah?

Mr. BRUSH. We have one in Utah, at Salt Lake City, called the "Murray smelter."

The CHAIRMAN. Where is the ore mined that is smelted there?

Mr. BRUSH. The Murray smelter smelts virtually no lead ores excepting ores that come from the State of Utah. They come from all over the State, at distances of several hundred miles.

The CHAIRMAN. Will you not describe the process of smelting?

Mr. BRUSH. It depends very much upon the character of the ore. If it is a lead ore that is in question, it depends upon whether it is a sulphide ore or a concentrate, or whether it is very fine or not; but most ore, most lead ore, is received in the form of a concentrate. It is concentrated by the mine, at the mine, in order to save the freight, and it comes to the smelter in the form of a concentrate, and those concentrates are mostly very fine. They are 25 per cent slime, and the slime will go through a 100-mesh screen; so you can conceive how very fine they are. Those have to be bricked; that is, they can not be put in the furnace in that form, because lead is a soft metal, very volatile, and if it was put in the furnace in that condition it would go right up the stack immediately. So it has to be put in in the form of compressed brick before it can be fed into the furnace. Then in the case of the sulphide ore, which many of them are, and they are getting to be more and more so. The oxidized ores are near the surface of the earth, and as the mine goes deeper the ore is not oxidized, but is a sulphide, and it has to be roasted. That is the case with most of the ores. We are continually, every year, adding to our roasting capacity, and find it necessary to do so.

The CHAIRMAN. How is it handled, by machinery?

Mr. BRUSH. By labor and machinery. Take the Murray plant that you are inquiring about in Utah; it employs about 700 men in the operation. The ore going into the plant is first unloaded at the sampling mill. It all goes through the sampling mill and out again. From that it goes to the roaster to be roasted. In the case of most of the ores, it is handled in and out of the roaster. From there it goes to the bricking machine, if it is to be bricked, and put into bricks. That is handled in and out. From the bricking machine it goes to the beds, and there it is put in the beds in order that it may

Digitized by Google

be mixed with other ores for the reason that before it is put into the furnace we have to get an absolute metallurgical formula, so as not to lose the lead to an abnormal extent or the silver to an abnormal extent. There must be a metallurgical formula that will show 32 per cent silica, about 22 per cent iron, about 16 per cent lime, and not less than 8 per cent lead nor more than 12 per cent lead to do good work. At times we are obliged to run less. In Mexico, where lead is not so precious as it is here, a higher percentage of lead is run, sometimes as high as 20 per cent. That is not economical, however. Then, in connection with bedding, it is in and out again, and then it goes to the smelting furnace and from the smelting furnace it comes out as matte and lead bullion.

The lead bullion is shipped to the refinery for refining. It contains lead and silver and gold. The precious metals have a chemical affinity for the lead and stay with it in solution, and the matte is low-grade matte with usually about 12 per cent copper. That has to be concentrated through two processes to bring it up to 45 per cent matte. And from there, containing some lead, sometimes as high as 25 per cent lead and 45 per cent copper, it is shipped to the reverberatory copper works to blow it to what is called "copper bullion." In that process it used to be the case that the lead was entirely lost, and in fact now copper smelters charge a penalty against a smelter if there is lead in the ore and will buy the matte without the lead, paying a better price for it. But at the present time, owing to the better metallurgical work, some of it is saved from that process. Then the lead bullion is refined in a refinery where it goes through also several processes of refining, the silver going through the retorts, and the zinc being retorted also to save it—a certain portion of it that is used—and the gold has to be refined. The gold and silver come out together, and that has to be parted and then refined. So there are a great many processes. The ore, as I have explained it to you with respect to this Murray plant, is handled, I believe, thirteen times—the weight for each ton of ore. There are then separate items of transportation from one plant to another point in connection with each of these operations. The smelting of lead is a very complicated business; it is a very fine metallurgical work, while copper smelting is comparatively simple. The reason why it is so complicated is because of the fact that lead is so very volatile, and it is so easy to drive the precious metals into the matte, where they are lost, and where they have to go through three or four additional processes to recover them, and a very large proportion of the lead is then lost.

The CHAIRMAN. Are you able to state the average of production per ton of ore in Utah in copper, lead, silver, and gold in 1906?

Mr. BRUSH. No; I think that would require some state statistics which I do not have; and then, again, I think that would include, of course, all ores. There are a great many ores in Utah that are producers of silver and gold, but which do not contain any lead at all. They are smelted, however, with the lead ores when the ores go to the smelter. I can tell you just exactly what we have ourselves, or I can give you a sample of some of our mines. Since you spoke about Utah, I remember that you had before you, on some other hearing, a representative of the mining

interests of Utah, and he mentioned two lead mines in Utah, which happened to be the two largest producers of lead in the State of Utah, and they are shipping ore to our smelters.

The CHAIRMAN. What mines were those?

Mr. BRUSH. Those were the Silver King mine and the Daly West mine. I would not refer to them excepting for the fact that they have been already referred to in the testimony before you. The gentleman testifying spoke of the lead ores as being on an average of 8 per cent lead. I think that possibly he arrived at that percentage by taking all of the ore that was produced and dividing it into the amount of lead that was produced. It was extremely unscientific, as you will find if you undertake to make any investigation. But since he mentioned these two mines, I will say that the Silver King ships to us, but they ship their ore as most lead mines do. They concentrate it and ship it to us in the form of concentrate; and the Silver King, I find by the statistics before me, ships ore that averages 46 per cent lead.

The CHAIRMAN. That is the concentrate?

Mr. BRUSH. The concentrate; yes.

The CHAIRMAN. The process of concentrating eliminates some of the dross?

Mr. BRUSH. It eliminates the iron, and mica, and quartz, and everything that they can in order to save weight—save freights, because the freight item is a very heavy one.

The CHAIRMAN. The concentrate represents 46 per cent lead?

Mr. BRUSH. That is the way it comes to us, 46 per cent lead; and the Daly West comes to us as——

The CHAIRMAN. Before you go to that, how much copper is there, if any?

Mr. BRUSH. No copper in that ore—well, I say none, but there is a little less than 1 per cent of copper in the ore.

The CHAIRMAN. How much silver?

Mr. BRUSH. An average of 55 ounces of silver. That is one of the richest of the concentrates that I know of in silver.

The CHAIRMAN. How about the gold?

Mr. BRUSH. There was seven-hundredths of an ounce per ton; in other words, in a carload of 20 tons of mass material, looking like dirt, there would be one ounce of gold, which the smelter paid $20 for, and had hard work to find.

The CHAIRMAN. Any other thing of value that comes out of the smelting process?

Mr. BRUSH. No, sir; there are quite a number of things of no value. Sulphur, 12 per cent, and it has to be roasted in order to drive it off, because if the sulphur went into the furnace the whole mass would come out as a matte; it would not come out as bullion at all. We have to get the sulphur down to a very small percentage; we do not like to have more than 2½ or 3 per cent of sulphur in the furnace. The Daly-West, if I might give you that——

The CHAIRMAN. Before you get to that, and still speaking of the Silver King mine, how much does it cost per ton for the process of smelting and refining? Can you take it for some year, say 1906?

Mr. BRUSH. I haven't any particular year made up. I simply picked out this statement, which covers three months only—it must

Digitized by Google

be this year, three months of this year. There is virtually no difference in the character of the ore. These are fair averages. Those happen to be the figures I have before me.

The CHAIRMAN. What was the cost?

Mr. BRUSH. The cost we have figured here, that we had to charge up against ourselves, averages $7.25 per ton of ore. Our charge against the mine, what we call our margin against the mine, was a little less than $10, showing a profit of less than $3 a ton on that ore.

The CHAIRMAN. You say you charged it against the mine. What do you charge against the mine? Give the items.

Mr. BRUSH. The way we arrive at what we call our margin

The CHAIRMAN. Before you go any further, I discover that I omitted one little ceremony. Please raise your right hand.

(The witness was thereupon duly sworn by the chairman.)

The CHAIRMAN. And what you have stated thus far is correct, is it not?

Mr. BRUSH. That may date back; yes, sir.

What we call our margin is—we take the value of the metals at the New York quotation. All the metal contains the ore at the New York quotation. Deduct from that the freight to New York, what we have to pay the refiner for refining, and from this deduct the amount of money that we pay to the miner, and the difference is the margin, the money we have left to do our work with, provided we are able to sell those metals in New York at the price we pay for them. We pay the miner for all the metals in the ore by sight draft when he ships the ore to the smelter, against the weights and assay, which is checked by his own representative; but we do not get the metal to the market on an average of four months after that period, and we always assume that we will be able to sell our metals for what we pay for them, but at times that has been hard work.

The CHAIRMAN. What do you charge for smelting that?

Mr. BRUSH. I have not the particulars of what we charge them for smelting, because the contract as it is made pays for a certain amount of lead, pays for a certain amount of silver, and pays for all the gold at the New York quotation, and then makes a deduction which we call a working charge, and that, in the case of these lead ores, is usually about $8 a ton.

The CHAIRMAN. About $8 a ton?

Mr. BRUSH. That is not always the case, by any means.

The CHAIRMAN. You said about $8, and I asked you if that was correct.

Mr. BRUSH. My recollection is that with reference to these two mines that I have spoken of, in the case of the Silver King mine it is correct, but in the case of the Daly-West mine it is not. At any rate, on the Daly-West ore we make a loss.

The CHAIRMAN. What do you charge them for freight?

Mr. BRUSH. Well, whatever we have to pay. From Utah the charge to New York is, on the bullion, I believe, $10 a ton. From Colorado it is $7. Unfortunately, I have not the figures before me from Utah, but I know that from Colorado it is $7 a ton.

The CHAIRMAN. You think it is $10 from Utah?

Mr. BRUSH. I think it is, but I am not sure.

Digitized by Google

The CHAIRMAN. Our recollection is that Mr. Allen said that it was $1.25 per hundred. I think that was the statement, but I have not located it.

Mr. BRUSH. That could not be, because that would be $25 a ton, would it not?

The CHAIRMAN. Yes.

Mr. BRUSH. Of course, freight rates are open to inspection; they are all published.

The CHAIRMAN. But from your recollection it is $10 per ton?

Mr. BRUSH. Certainly not more than $10 a ton, and it may not be more than $9.

The CHAIRMAN. And from Colorado, $7.

Mr. BRUSH. Yes, sir.

The CHAIRMAN. You are positive about that?

Mr. BRUSH. Yes. We have four or five smelters in the State of Colorado, and we only have one in Utah.

The CHAIRMAN. This matte that you send for the smelting process—I suppose you send it to the refinery at Chicago?

Mr. BRUSH. It goes, in fact, to Omaha.

The CHAIRMAN. And is there refined?

Mr. BRUSH. Yes, sir; there it is made into what we call blistered copper, or copper bullion, and from there shipped to Perth Amboy, in New Jersey, where it is refined. The refinery at Perth Amboy is the only copper refinery we have.

The CHAIRMAN. Then it does not go into the market at all until it gets to Perth Amboy?

Mr. BRUSH. There is no consumption for copper, comparatively, in the West.

The CHAIRMAN. Can you give us the cost to you of smelting?

Mr. BRUSH. I can give it to you on that ore, or these other ores that I brought down, which I thought would be typical ores. I have given you already the Silver King, and can give you the Daly-West.

The CHAIRMAN. I think you gave me the total cost of smelting and refining, both, at $7?

Mr. BRUSH. That is the charge made by the smelter, and the smelter has to pay the freight to the refinery out of that.

The CHAIRMAN. Something over $7 for that mine, the Silver King?

Mr. BRUSH. About—I will give it to you exact. One month it was $6.91; the next month, $6.78; the next month, $7.86. It varies in accordance with the percentage of sulphur and the percentage of zinc in the ore. Where there is a heavy percentage of zinc it increases the cost of smelting, so much so that the smelter, when he buys an ore, places a penalty on the zinc contents of it if it goes over a certain per cent, as I will show you later on some other ore when we are through with the Silver King.

The CHAIRMAN. How much does the lead cost you as it finally comes from your copper refinery at Perth Amboy?

Mr. BRUSH. The smelter is the agent of the miner—there is no such thing as cost to ourselves of lead. We buy from the miner, and pay him the New York quotation, the full New York quotation, for the lead the day that he ships his ore, and we simply act as his agent in the disposition of that lead. If the price of lead goes up, the miner gets it, and if the price goes down the miner loses it. Except, as I

Digitized by Google

say, that during the four months if it goes down and we have not been able to sell we lose it.

The CHAIRMAN. How much toll do you take out of it? You say that you act as agent. How much commission, or whatever you may call it; how much do you take out of it?

Mr. BRUSH. What we might call toll is the charge we make and the deduction from the total metal contents. The deduction for the total metal contents is only intended to cover the exact amount of metals lost in the process of roasting and smelting and refining.

The CHAIRMAN. What is your profit out of it; what do you get out of it? I am referring to this agency business.

Mr. BRUSH. I don't know any other way to answer that, Mr. Chairman, excepting by referring to the annual report of the company. Our company in the last annual report showed that they made a profit of $7,000,000. We refined 216,000 tons of lead, including Mexican lead, which was refined in bond, and we refined about 50,000 tons of copper, and about 60,000,000 ounces of silver, and about 1,000,000 ounces of gold, at a total value of about ninety millions of dollars. It is next to impossible to say what profit we made on each of these operations; but for years, assuming—which I think is fair—that the profit in refining of lead is $2.50 per ton—and when I say profit I mean profit at the works—that does not take out interest, which is a very large item in the carry, nor does it take out depreciation or administrative expenses or selling expenses and the inevitable loss in connection with selling. It is simply the profit at the works. If we assume that as $2.50 on lead bullion, and $4 on copper bullion, and a quarter of a cent an ounce on the refining of silver, and, say, 25 cents an ounce on the refining of gold worth $20.50 an ounce, with all the risk of loss in it, that would leave a profit for the smelting business of about $1.50 a ton, smelted. We smelted 3,372,750 tons. I do not know any other way to get at our profit of smelting, and that of course includes all kinds of ores.

The CHAIRMAN. You say your annual report did actually show a profit of seven millions of dollars?

Mr. BRUSH. That was one mine. If you care to have some other mines, I will show you something quite different. We have to get an average profit out of all the ore that goes into the furnaces, and any one charge into a furnace may mean, and probably does mean, ores from thirty to fifty different mines, all mixed together in a body to get the proper metallurgical formula. We get out average cost and average margin, the difference being the average profit at those works. That is the only way we can do business.

The CHAIRMAN. Your report was made from your books, of course?

Mr. BRUSH. Absolutely. "The proof of the pudding is in the eating."

The CHAIRMAN. Did that annual statement show any interest account?

Mr. BRUSH. No, sir. The interest account on the carry is more than a million dollars from the time we pay for the material to the miner.

Mr. CLARK. Now, right there let me ask you a question for information. Why is it that the business men come in here right straight along and when they are asked about their profits they always leave out the interest charge, just as you are doing now?

Digitized by Google

Mr. BRUSH. Exactly. It is because it is a custom in works to figure cost on what they pay, what they pay for anything, and what they have to pay out in order to work it. The manufacturing books, I believe, are kept on that basis.

Mr. CLARK. It seems to me that the first thing that a man would do when he was calculating whether he had made a profit or a loss would be to put in the interest on his investment.

Mr. BRUSH. I believe you are right, sir, but it is not the way that manufacturing books are kept.

The CHAIRMAN. I do not see how you can make that work unless you have sufficient capital—money in hand—to handle this without borrowing any money.

Mr. BRUSH. That is exactly what we do. The American Smelting and Refining Company paid no dividends until it had accumulated a sufficient amount to carry all this material, amounting to about $25,000,000, and not borrow a cent. After they had done that they commenced to pay dividends.

The CHAIRMAN. Money to carry on business is like a plant—it is part of the capital stock.

Mr. BRUSH. It is, undoubtedly.

The CHAIRMAN. And when you come to make dividends, you make dividends on your capital stock?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. And those dividends are 7 per cent on the common?

Mr. BRUSH. No; 4 per cent on the common.

The CHAIRMAN. And 7 per cent on the preferred. That is the regular dividend?

Mr. BRUSH. That has been the regular dividend for the last year and a half, I believe.

Mr. McCALL. If you borrow money and pay interest to a bank, or to a person who loans money, you would charge that in as cost of the business, would you not?

Mr. BRUSH. Yes, sir.

Mr. McCALL. And only this capital escapes which is part of your capital stock capitalization?

Mr. BRUSH. That is all that ought to escape.

Mr. McCALL. You charge interest on all of the other money?

Mr. BRUSH. I am just giving the answers to these questions offhand. The exact figures ought to come from our manufacturing books.

The CHAIRMAN. How long ago was the American Smelting and Refining Company established?

Mr. BRUSH. If you will allow me, I think it is only fair, as long as two mines were quoted in Utah, that I should give you both mines.

The CHAIRMAN. Very well, go on with that.

Mr. BRUSH. I only want to be fair. I gave you one of the most profitable illustrations that I could give you first.

The CHAIRMAN. I lost sight of that other mine.

Mr. BRUSH. The Daly West only contains 25 per cent of lead. It contains 17 per cent of sulphur and usually over 17 per cent of zinc. I believe in one month there was 19½ per cent of zinc. As I told you, we are obliged to charge a penalty for that zinc. Instead of the

Digitized by Google

mine getting anything for the zinc, they are charged a penalty on account of having it, because in the process of lead smelting it becomes a very serious charge. And in this mine, where we have an average margin of only $8, we have an average cost of $1 more than that, so that on that mine, at the smelter, we suffer a loss of $1 a ton. The smelting business has to be done on averages. It is done under very sharp competition. There is not an ore that we buy at any smelter that I know of upon which we are not subjected to competition in buying it; and the smelter seems to be always in need of some kind of ore. He will have a surplus of lead and will need silica, or he will have a surplus of silica and need lead; and the charge we make in getting a contract will depend upon our needs and also the needs of our competitors. But usually the needs of our competitors are the same as ours for the reason that it depends upon a certain situation. At the present time, for instance, with silver at less than 50 cents, the amount of silica produced in connection with dry ores is getting so small that the smelters are bidding for silica, and pay such a high price for it that they would not be able to make any money out of the silica ores, and they will have to make it out of the lead ores. At other times it is just the other way and then there is a shortage of lead ores when the smelter will pay more than the lead is worth. I have known lead ores to be bought at a loss of $5 a ton to a smelter because the smelter could afford to do it and because they had so many silicious ores on which they were making a profit, and which they could not smelt without the lead. And that situation will change month by month and often changes radically in a period of three months.

Following that, I would like to give you an illustration which is pertinent and fair, and when I say "fair," I lean over backward. I did it by beginning with the Silver King mine.

A large proportion of all the lead produced in the United States is in the State of Idaho. I do not think you have had any statement with reference to that as yet, but you will have from the miners representing the lead producers in Idaho. You will have a statement showing the particular situation there. I was able to get the cost of mining of one of the mines that did not close down when lead went below 4 cents. Doubtless you know—I do not know whether anyone has testified to the fact—but as a matter of fact, last year when lead went below 4 cents more than one-half, or at least one-half, of all the lead production of the country was cut off. It could not be produced, and in fact a good deal that was produced was produced at a loss.

The CHAIRMAN. Like all other business in the United States?

Mr. BRUSH. At that figure, yes. The Silver King and the Daly-West as soon as lead went down to 4 cents closed down their mines. It is not the same with all other business, if you will pardon me, for the reason that some businesses do not run because they can not sell their product. That is not the case with the miners. They can sell their product to the smelting company, because the smelting company has a contract that obliges them to take the entire production of the mine, and the smelting company has to take it whether it can sell it or not.

The CHAIRMAN. Certainly, but the price went down.

Mr. BRUSH. Yes, sir.

Digitized by Google

The CHAIRMAN. And the price went down because of lack of demand?

Mr. BRUSH. Because of surplus of production.

The CHAIRMAN. For the same reason that affected all other industries; they could not sell at a profit, therefore they shut down. If you will pardon me, I think it is a good deal like the other business.

Mr. BRUSH. You can see that there is quite a difference in that, because there is some one who stands ready to take the material.

The CHAIRMAN. At the market price?

Mr. BRUSH. And they took it.

The CHAIRMAN. The smelter will take it at his price, which is the market price, and when that gets down below the point where it pleases them they shut down?

Mr. BRUSH. That is what they do. I only referred to 4 cents because that was the point that was fixed upon by a number of mines, and I selected a mine in the Coeur d'Alene which was able to make money at four cents, although that mining company owned three other wines, all of which closed down. Now, in working out that ore—the ore ran 8 per cent lead when it was mined and 3½ ounces of silver to the ton of ore as it was mined—when it was concentrated 7.8 tons of ore made 1 ton of concentrate. In the process of concentration the mine lost 13 per cent of lead and 33 per cent of silver in the ore, and the concentrates were shipped to our smelters in Colorado. Now, without going through all of the calculations that are before me, I will say that it came down to this: The 1 ton of lead cost the mine—I am speaking now of actual cost—$48.35 to mine it and to concentrate it, and two-thirds of that cost was labor, while the other third was very largely timber. The amount paid for freight on 1 ton of lead was $25.50; that was freight on the concentrates to the smelter and freight from the smelter to the refiner of the bullion, getting it to the New York basis.

Mr. HILL. How much was that?

Mr. BRUSH. The total amount of freight paid was $25.50. The cost to the smelter was $5.55; the cost to the refiner was $4.50, making a total cost of $83.90. The silver in it was worth $16.21. If you deduct that, and throw all the cost upon the lead, which is certainly not a fair way of figuring costs, you will bring out the cost of 1 ton of lead at $67.69, or $3.38 a hundred pounds. Now, at 4 cents New York, there was a profit of 62 cents a hundred pounds. That profit was divided, 31 cents to the mine, 15 cents to the smelter, and 16 cents to the refiner.

The CHAIRMAN. I do not follow you when you go from tons to hundreds.

Mr. BRUSH. Well, divide by 20. The price of lead is always figured by the 100 pounds, not by the ton, and that is the reason why I use those figures.

The CHAIRMAN. You went from tons to hundreds so suddenly that I did not quite follow it out.

Mr. BRUSH. The ton was $67.69.

Mr. HILL. Was that 2,240-pound or 2,000-pound ton?

Mr. BRUSH. Two thousand pounds. All American business is done in tons of 2,000 pounds. In the first place the mine has to charge off, or ought to charge off, its amortization. When a mine makes a profit it takes it out of its capital, and we know by past experience

Digitized by Google

that a mine sometimes comes to a very sudden end, but rarely lasts through a period of more than ten years; on an average they do not last that long.

I have before me a letter from Professor Buckley, who was for seven years the director of the Missouri bureau of geology and mines, and who has made an exhaustive study of the lead bodies in the State of Missouri, in which he states that at the present rate of production of lead in Missouri the entire lead fields will be exhausted in not over twelve years. It is easier to compute that than it is with mines that go right down.

Mr. CLARK. Do you not know that recently they have discovered a lower stratum of lead and zinc in Missouri? They have been working close to the surface for years, but now they have begun to go down, as they ought to have done before.

Mr. BRUSH. I believe that this statement of Mr. Buckley is based upon the examinations that have been made by the state geologist, and also examinations that have been made by all of the large mining corporations that are operating in Missouri. Those corporations are constantly sinking their drill holes all over their territory, and those drill holes go to a depth of many hundred feet, away beyond anything that has been done.

Mr. CLARK. They discover very rich deposits when they go down deep.

Mr. BRUSH. It takes that all into account, as I understand it.

Mr. CLARK. Who is this professor that you quoted?

Mr. BRUSH. Mr. E. R. Buckley, who was director of the Missouri bureau of geology and mines for seven years. I believe that at the present time he is not, but is acting as an independent mining geologist.

The CHAIRMAN. What is the date of that letter?

Mr. BRUSH. This was dated December 9, 1908. It was in response to an inquiry that was made of him upon that very point.

The CHAIRMAN. Where is Mr. Buckley?

Mr. BRUSH. He wrote this letter from Washington. At that time he was in attendance at the Conservation Congress.

The CHAIRMAN. Where does he live?

Mr. BRUSH. He lives in Missouri, and, I think, in St. Louis, but I am not sure about that. And then all of the mines are getting deeper constantly. There has been no new discovery of lead made in the United States, so far as I know, in the last ten years—since the tariff was placed upon it; and the mines are all getting deeper. And with depth their timber cost becomes heavier, so that it is becoming a serious matter as to where they will get it from at any cost, especially in the Coeur d'Alenes. It is constantly increasing in cost. Labor is constantly increasing in cost, and has increased during the last five years. About three years ago the State of Idaho passed a law making the day eight hours. The mines were not able to decrease their labor per day at all, consequently it added just 25 per cent to their labor cost. And with the smelter and refiner, their profits are reduced by the wear and tear, depreciation, by interest, which is not taken off in this at all, and by the general expense of administration of the corporation, by the cost of selling, and the inevitable losses in connection with selling. All of those come out of this profit. These are only mill profits, all that I have given you.

Digitized by Google

The CHAIRMAN. That would not come out of the statement that your company made; so many million dollars made in one year?

Mr. BRUSH. No; that was, as I showed you, an average of about $1.50 per ton of ore smelted.

The CHAIRMAN. But you mentioned $7,000,000.

Mr. BRUSH. Yes.

The CHAIRMAN. Of course you did not estimate in that any bad debts or anything of that kind, as assets, did you?

Mr. BRUSH. Oh, no. Of course, if there were any bad debts accruing during that year, it did come out of that. I gave you the mill cost and mill profit, and I simply stated what ought to and does have to come out of the mill profit.

The CHAIRMAN. That was 1908?

Mr. BRUSH. Nineteen hundred and eight; yes, sir. That was made out on the basis of 50 cents for silver.

The CHAIRMAN. What was it the year before?

Mr. BRUSH. When lead was higher the mines made more profit, because they got the benefit of the higher prices.

The CHAIRMAN. How about the smelter? What was his profit in 1907—your company?

Mr. BRUSH. The profit that I gave you was of 1907.

The CHAIRMAN. What was it in 1906?

Mr. BRUSH. I think the smelting profit was something like $10,000,000.

The CHAIRMAN. What was it in 1905?

Mr. BRUSH. Then it was about $8,000,000. The $7,000,000 is the average of the past five years, and business has remained fairly steady except during the boom of 1906–7.

The CHAIRMAN. Of course these reports are accessible to us?

Mr. BRUSH. I am quoting from recollection, but they are public property.

The CHAIRMAN. I thought you might remember a little circumstance like that.

Mr. BRUSH. I suppose I ought to, but what I gave you, I think, was very close to the facts.

Mr. RANDELL. I did not quite understand. The chairman asked what were the profits of the company, and you have given certain figures, and now you say that they are the mill profits. I do not understand what that means.

Mr. BRUSH. Pardon me, but I gave both.

The CHAIRMAN. The total profits of the smelting and refining company were what you gave me, were they not?

Mr. BRUSH. Yes, sir.

Mr. DALZELL. Of the two processes?

Mr. BRUSH. Of the entire mine, one of the largest producers in the Cœur d'Alenes.

The CHAIRMAN. Your company refines all that you smelt?

Mr. BRUSH. Yes, sir; we refine all that we smelt, and we make a regular charge.

The CHAIRMAN. Do you refine anything which is smelted elsewhere?

Mr. BRUSH. Yes; we are buyers of bullion, copper and lead. Of course, these profits are not profits made in the United States. We

Digitized by Google

are doing a very large business in Mexico, and we are buying ores from all over the world.

The CHAIRMAN. Can you give us, Mr. Brush, the profits on the ore that you buy and which is produced in the United States mines?

Mr. BRUSH. No, sir; I could not. That is the total.

The CHAIRMAN. There is no way of getting at that?

Mr. BRUSH. I do not think there is.

The CHAIRMAN. We will recur to that later.

Mr. BRUSH. I should say that these costs all the way through, both at the mine and at the smelter and at the refinery are made up very largely—fully 90 per cent—of labor, fuel, and freight; and I suppose fuel and freight resolve themselves again into labor. The lead tariff, which is the subject under consideration, is for the protection of the miner. The refiner is not protected at all under the present tariff. The tariff on lead bullion, which is imported from Mexico, is 2⅛ cents. Although I appear as representing the smelting company, I thought I should make that clear. The tariff at the present time is 2⅛ cents on lead bullion, which is the production that is exported from Mexico very largely to our refinery and other refineries in this country, to be refined here by American labor in American works, and the duty on pig lead is exactly the same, 2⅛ cents.

The CHAIRMAN. Suppose we take the tariff off of lead, what would the refiner do then? You say that it is all for the benefit of the miner. If we took it off, how would the refiner come out?

Mr. BRUSH. If there was no duty on lead, there would be no lead produced in the United States, in my opinion, and there would be no business for the miner or the smelter.

The CHAIRMAN. Excepting what they brought in from Mexico?

Mr. BRUSH. Yes. And even that, under those circumstances, would be refined in Mexico, because labor is very much cheaper there than here.

The CHAIRMAN. I take it that the tariff is somewhat for the protection of the refiner as well as the miner.

Mr. BRUSH. Indirectly, but not directly. I think I am correct in saying it is not directly for the interest of the smelter—it is indirectly, of course, because there would be no business done.

The CHAIRMAN. If the tariff is not well balanced; that is, the proper relation of a tariff between the lead in the ore and the refined lead, of course the miner will suffer from it, the refiner being the stronger party, but when you say the tariff is all for the benefit of the miner I can hardly see the force of that.

Mr. BRUSH. I will be very glad to amend it and say "indirectly," of course.

The CHAIRMAN. Would you go out of business if the duty were taken off?

Mr. BRUSH. There is no doubt about it.

Mr. CLARK. Have they not been digging lead in the United States since the Indians were driven out of the country, and before that, no difference what the tariff was?

Mr. BRUSH. I don't know what the price of lead was in those days.

Mr. CLARK. You know that the lead industry has never let up or stopped in this country, even prior to the settlement by white people.

Digitized by Google

Mr. BRUSH. Yes.

Mr. CLARK. Then what makes you say that if you take this tariff off—I am not talking about whether they want to take it off or keep it on—but what makes you say that if they take the tariff off, or the substantial part of it off, that this lead industry would cease all of a sudden?

Mr. BRUSH. Because lead is produced in an altogether different way. I think the Indians would have had a very hard time to produce lead from the lower levels of the Missouri lead fields.

Mr. CLARK. The Indians would not dig down in the ground, but white people have been mining lead in the United States for two hundred and fifty years.

Mr. BRUSH. Not on the low levels.

Mr. CLARK. They are working on the low levels now, because they may not find any on the high levels.

Mr. BRUSH. That is true. And then there is the increased cost.

Mr. CLARK. You are running smelters and refineries in the United States, and also in Mexico. Do you represent the Guggenheim interests?

Mr. BRUSH. Mr. Daniel Guggenheim is president of the American Smelting and Refining Company.

Mr. CLARK. You have refineries in Africa, haven't you?

Mr. BRUSH. No, sir.

Mr. CLARK. You haven't any refineries in Africa?

Mr. BRUSH. No, sir.

Mr. CLARK. Has not the Guggenheim combination?

Mr. BRUSH. No, sir.

Mr. CLARK. Where are they?

Mr. BRUSH. The only works that they own—that the company owns—are in the United States and in Mexico.

Mr. CLARK. Well, if you are running lead smelters and refineries in the United States and in Mexico, what do you care about whether the tariff is on or off?

Mr. BRUSH. Because, as the chairman pointed out, the smelting and refining companies are vitally interested in having as many tons produced in this country as can be consumed in this country, because we get a toll on the number of tons of ore that is produced in the Rocky Mountain region.

Mr. CLARK. Do you suppose that Congress, or anybody else, has ingenuity enough to rig up a tariff bill that would keep these refineries from getting most of the profits on the ore anyhow?

Mr. BRUSH. I should hesitate to pass judgment on the Congress of the United States.

Mr. CLARK. I am talking of the rest of mankind in with it.

Mr. BRUSH. If you will pardon me, I would like to explain to the chairman what I referred to in saying that the tariff was not directly for the benefit of the smelter and refining companies. I listened to the testimony taken here yesterday upon the iron and steel schedule. I believe it is customary to put a certain duty on the raw material, a little higher duty on the next product, and a little higher duty on the next product that goes beyond that; like, for instance, the iron pipe which I heard testified about. The natural method of making the tariff, it seems to me, on lead would be a certain duty on the lead ore, a certain further duty on the lead

Digitized by Google

bullion after it was smelted, and a certain further duty on the lead after it was refined. I will show you the incongruity of the situation.

Mr. CLARK. When these men bring this ore to your mills, and you smelt it, do you buy the ore from them?

Mr. BRUSH. We buy it and we pay for it against a sight draft, usually.

Mr. CLARK. I do not care how you pay it, but what I was getting at was this: After the ore is delivered to the smelter it becomes your ore?

Mr. BRUSH. Yes, sir.

Mr. CLARK. And then as to any profit or tariff—it does not make any difference naturally by reason of the tariff—you get?

Mr. BRUSH. No, sir; because we pay the miner the full price, 4 cents, or 4½ cents, or 6 cents, whatever it is in New York, and deduct the freight to New York.

Mr. CLARK. And the tariff is 1½ cents?

Mr. BRUSH. Yes, sir.

Mr. RANDELL. And he sells his ore the same as if he had a market in New York City.

Mr. BRUSH. We have to have in that method of settlement some point of selling. We settle on the New York quotations, and deduct the freight to New York.

Mr. RANDELL. Why not settle on the basis of what you get the ore from the outside for, and add the freight to New York?

Mr. BRUSH. Simply because the custom has grown up to do it that way. I suppose you are acquainted with the fact that when the lead is sold in the West, it is sold for a price less than the New York price. The freight is deducted, so that it comes out that that basis is the correct basis covering the entire distribution of lead.

Mr. HILL. You buy the lead on the basis of the New York price, deducting the freight, say, from Utah to New York?

Mr. BRUSH. Yes, sir.

Mr. HILL. Supposing a man in Chicago buys lead, he buys it on the basis of the New York price?

Mr. BRUSH. Less the price from Chicago to New York.

Mr. HILL. Then you have made out of the miner the freight to New York clear and clean?

Mr. BRUSH. No, sir; because we sell the lead in Chicago for less than what we pay for it.

Mr. HILL. Less the freight from New York to Chicago?

Mr. BRUSH. Exactly.

Mr. HILL. And you have taken from the miner the freight from Utah to New York?

Mr. BRUSH. I beg pardon?

Mr. HILL. You have deducted that from the price you paid him?

Mr. BRUSH. We will say, for instance, that the freight is $8 from Colorado to New York.

Mr. HILL. And if lead was worth $100 a ton, you would give him $92?

Mr. BRUSH. It is $2 less to Chicago; we pay the New York price.

Mr. HILL. But you do not give the miner the benefit of the freight from New York to Chicago; you take that yourself.

Digitized by Google

Mr. FORDNEY. Let the gentleman answer the question. He is going to answer in an entirely different way than what you think he will.

Mr. BRUSH. We pay the New York price and we pay the New York freight. That only costs us the Chicago freight. Then we only get the Chicago price for the lead, and the difference in the price in lead, that we lose, is exactly equal to the difference in the cost of freight which we make. If that is not clear, I would like to make it clear, because it is absolutely that the price is in accordance with the freight, and it works out that the smelting companies make nothing in the system.

I should say that while this applies to a large proportion of our sales of lead in the West, it does not apply to all brands or qualities, as the New York quotation is for common lead, and some qualities of lead require additional expense in refining, exceeding the freight charge from western points to New York.

Mr. CRUMPACKER. The Chicago price is the New York price less the freight from Chicago to New York. Where you sell at Chicago you have to sacrifice the freight from Chicago to New York in your price?

Mr. BRUSH. Yes, sir.

Mr. CLARK. Does the company that you represent here absolutely fix the price of the ore to the miner and of the lead to the consumer?

Mr. BRUSH. No, sir. In the first place, the price of the ore to the miner is subject, as I have stated, to very sharp competition. I do not know of an ore that we buy anywhere that is not subject to the closest kind of competition.

Mr. CLARK. Do you fix this New York price that you are talking about? Don't you fix it absolutely?

Mr. BRUSH. The New York price is whatever we sell our lead for. It happens that we sell about 50 per cent of all the lead.

Mr. CLARK. Then in plain English, you fix the price of lead?

Mr. BRUSH. It comes to that; yes, sir.

Mr. CLARK. You say you do not fix the price of the ore?

Mr. BRUSH. It comes to that, for the reason that the other sellers that take lead are willing to sell on whatever price that we sell. They could not sell for more, and they do not want to sell for less.

Mr. CLARK. If they undertook to sell for less you would break them up, wouldn't you?

Mr. BRUSH. They are constantly doing it at the present time.

Mr. CLARK. Selling for less than you do?

Mr. BRUSH. Yes, sir.

Mr. CLARK. I thought you said a half a minute ago that they did not.

Mr. BRUSH. When I say that, I do not mean that that is always the case, but the average case.

The CHAIRMAN. Your company is closely allied with the National Lead Company, is it not?

Mr. BRUSH. Why, it happens that two of the directors of the American Smelting and Refining Company are also directors of the National Lead Company. I do not know of any other business connection.

The CHAIRMAN. Are these same directors interested stockholders?

Mr. BRUSH. I suppose so, but I do not know.

Digitized by Google

The CHAIRMAN. Do the same directors control both companies?

Mr. BRUSH. No, sir.

The CHAIRMAN. Well, a majority then?

Mr. BRUSH. No, sir.

The CHAIRMAN. Not even a majority?

Mr. BRUSH. No, sir; not by any means.

The CHAIRMAN. Do not the directors interested in your company control the business operations largely of the National Lead Company?

Mr. BRUSH. No, sir; they do not. They not only do not, but——

The CHAIRMAN. Do not they fix the price of lead in the United States through the National Lead Company?

Mr. BRUSH. No, sir; not at all. The National Lead Company, in many of its operations, and in most of its policies, is diametrically opposed to the policy of the American Smelting and Refining Company.

The CHAIRMAN. Directly opposed to it?

Mr. BRUSH. Well, the American Smelting and Refining Company are interested——

The CHAIRMAN. Please say in what way they are opposed to it, in what particular?

Mr. BRUSH. The American Smelting and Refining Company is interested as the agent of the miner in having the prices of lead high, because he wants to encourage the production of as much lead as the country will consume. That, in a nutshell, is the situation. The National Lead Company are interested in having their pig lead as cheap as they can buy, as is always the case with the manufacturer and the raw material.

The CHAIRMAN. And also because they feel the criticism because of the extremely high price of lead in the United States?

Mr. BRUSH. I do not know about that, sir.

The CHAIRMAN. It is high, is it not, compared with other countries?

Mr. BRUSH. I have a table here that shows the average price of pig lead by years, and if we bring it to a St. Louis basis, the St. Louis market, it was about, on an average, 1⅛ cents a pound higher than what foreign lead could be laid down at.

The CHAIRMAN. That is the average?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. What was the greatest difference?

Mr. BRUSH. The greatest difference, of course—I am sorry to say that I have not that table with me. I thought I had it, but I have not. The greatest difference was, of course, at times when the country was not producing as much as it was consuming and was obliged to import. That happens at some time during most years, but it has not happened——

The CHAIRMAN. Have you that statement there, Mr. Brush?

Mr. BRUSH. No, I have not; but I will see that you have it. I thought I had it with me.

The CHAIRMAN. What years does it cover?

Mr. BRUSH. You mean the statement that I had made up?

The CHAIRMAN. Yes.

Mr. BRUSH. It covered from 1900 to 1907.

The CHAIRMAN. That is what I wanted.

Digitized by Google

Mr. BRUSH. At certain times of the year that was the case, but, with the exception of a portion, I can give you this from recollection, if you like.

The CHAIRMAN. I wish you would bring it here at 2 o'clock to-day and hand it to the stenographer.

Mr. BRUSH. Very well; I possibly have it at my hotel.

Mr. CLARK. If part of the directors of this refining company are also directors of the National Lead Company, and the National Lead Company and the refining company are at cross purposes, or loggerheads, then how do these directors who belong to both of these companies operate?

Mr. BRUSH. Well, I think that they operate by acting as a great many directors do, not being very active in reference to the management of the company. The management of the National Lead Company is absolutely in the hands of the officers of the company. Their policy could be changed by the directors, but I think that is something rarely done.

Mr. CLARK. Dummy directors?

Mr. BRUSH. I should hardly say that. A director can not carry on the operations of a company.

Mr. CLARK. But the whole directory can, can it not?

Mr. BRUSH. They could if they chose to stay at the office every day, but directors do not do that.

Mr. CLARK. The trouble about directors generally is that they do not stay in their offices enough.

The CHAIRMAN. You say that these two companies do not act in harmony, the National Lead Company and your company?

Mr. BRUSH. They do not act in harmony in that way.

The CHAIRMAN. There may be a little dickering between the two companies, but when they come to action do they not act in harmony?

Mr. BRUSH. I do not know how you can state it. We sell pig lead to the National Lead Company, and they buy it as cheap as they can buy it. If they think it is too high, they go without it and do not buy it.

The CHAIRMAN. They do buy your product, largely?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. And the price of your product to them, of course, is fixed between the two companies; it could not be otherwise—buyer and seller?

Mr. BRUSH. That is it, exactly.

The CHAIRMAN. Now, the price of commodities of the National Lead Company is influenced by your company?

Mr. BRUSH. Not that I know of at all.

The CHAIRMAN. Are you a director in both companies?

Mr. BRUSH. I am.

The CHAIRMAN. How many directors of your company are directors of the National Lead Company?

Mr. BRUSH. I left myself out when I said two. There are three. I left myself out because I do not act. There are three.

The CHAIRMAN. You say you do not act, so you do not know what is going on in the National Lead Company?

Mr. BRUSH. No; I try to keep entirely free from all entanglements, sir.

Digitized by Google

The CHAIRMAN. Are any of your directors directors in the American Linseed Company?

Mr. BRUSH. No, sir; I am sure they are not.

The CHAIRMAN. Stockholders?

Mr. BRUSH. Not that I know of.

The CHAIRMAN. Do you say that they are not allied in any way with the American Linseed Company?

Mr. BRUSH. No, sir; I am sure they are not.

The CHAIRMAN. How about the United Lead Company?

Mr. BRUSH. The United Lead Company is a portion of the National Lead Company.

The CHAIRMAN. Do your people have any directors in that company?

Mr. BRUSH. Well, I am not sure—there is one, but I am not sure whether there is any more or not.

The CHAIRMAN. You are a director?

Mr. BRUSH. Yes.

The CHAIRMAN. Is your corporation allied in any way with the American Smelters Steamship Company?

Mr. BRUSH. Yes, sir. The American Smelters Steamship Company—we own that entirely. It simply represents the steamers that run between Mexico and New York, bringing the product of our works from Mexico to New York.

The CHAIRMAN. Now, you spoke about the product from this ore. Is there another product, blue vitriol?

Mr. BRUSH. That is a by-product of copper smelting.

The CHAIRMAN. And whenever you have lead ore with copper, a copper product, you have blue vitriol?

Mr. BRUSH. Not necessarily.

The CHAIRMAN. But you do have in that connection?

Mr. BRUSH. Yes; we sometimes do. We only make it when it pays to make it.

The CHAIRMAN. What is your product of blue vitriol a year?

Mr. BRUSH. It is very small, indeed. I believe our Perth Amboy plant has not made any blue vitriol for the last year, and our Omaha plant makes on an average, I think, 300 tons a month. They make it simply as a by-product from the smelting operations. They use the sulphuric acid which is the waste sulphuric acid from the refining operation, I should say.

The CHAIRMAN. Your company owns mines in Mexico, does it not?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. To what extent? What is the production of your mines per year of lead in the ore?

Mr. BRUSH. At the present time?

The CHAIRMAN. I would rather skip the present time and take it last year.

Mr. BRUSH. I will give you the average.

The CHAIRMAN. All right; maybe you are in a prosperous condition now.

Mr. BRUSH. As a matter of fact, at the present time, the lead mines of Mexico are producing more than ever before. The mines owned or controlled by our company in Mexico at the present time are producing about 3,000 tons per month.

Digitized by Google

The CHAIRMAN. Of lead?

Mr. BRUSH. Of pig lead in the ore. That is at least 50 per cent more than it was a year or two ago, or than it has ever been before.

The CHAIRMAN. Where are those mines located with reference to the seaports?

Mr. BRUSH. They are all located in the northern portion of Mexico, and the ore is smelted at Velardena, Chihuahua, and Monterey.

The CHAIRMAN. How far is that from the seaport?

Mr. BRUSH. Monterey is about 125 miles, according to my recollection. With reference to the freights, you might be interested in those points——

The CHAIRMAN. I will get to that in a little while. Are these mines rich in lead ore, more so than the mines of the United States?

Mr. BRUSH. No, sir; I should say not. They vary very radically. I have returns here——

The CHAIRMAN. I did not mean compared with the concentrates that you spoke of this morning, but the ore as it comes from the mine.

Mr. BRUSH. In lead, I should say that the average is higher than in the United States for the reason that the Mexican mines are not as deep as the mines in the United States; they have not been worked as long.

The CHAIRMAN. I want to find out the proportion of lead in the ore as it comes from the mine.

Mr. BRUSH. They run close to 6 and 8 per cent on an average.

The CHAIRMAN. Is there any silver or gold in these mines?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. How does that run compared with the mines in Utah?

Mr. BRUSH. The silver in the ores in Mexico is considerably more than in the United States. A comparative product in bullion is about 150 ounces to the ton of bullion in the United States and about 400 ounces from Mexico, on the same basis of smelting.

The CHAIRMAN. That is lead bullion?

Mr. BRUSH. Lead bullion. The silver is very largely in connection with lead bullion.

The CHAIRMAN. What amount of silver do you get in a ton?

Mr. BRUSH. That is what I was just stating. In a ton of lead bullion of American production, 150 ounces, and Mexican production, 400 ounces; in other words, in richness of silver, Mexican production, as compared with the production of the United States, is as 400 is to 150.

The CHAIRMAN. You say the mines are not as deep in the ground?

Mr. BRUSH. No, sir.

The CHAIRMAN. What is the cost of mining?

Mr. BRUSH. I have the cost of labor and I have the cost of freight. I have not in detail the cost of mining for any mine. Of course, the costs are very different, but in labor it is about as follows: The common peon labor is about 5 cents an hour, gold, in Mexico; the mechanics get 10 cents an hour, gold; carpenters get 7½ cents an hour, gold; hoist men and trammers and pump men, which are a little better class of labor around mines, get 10 cents an hour, gold. Those are the present prices. They are materially higher than the prices

Digitized by Google

of five years ago. The increase in labor in Mexico has been proportionate to the increase in the United States.

The CHAIRMAN. What is the comparative efficiency of those peons and of the people who work in the mines in the Rocky Mountain districts?

Mr. BRUSH. I should say that, compared with the kind of Poles and Austrians that we have to work very largely in the American smelters in the last year or two, that they are about the same.

The CHAIRMAN. How about those who worked previous to that; what were they?

Mr. BRUSH. The efficiency of the American labor is increasing; it is improving.

The CHAIRMAN. How does it compare with the miners that handled the Rocky Mountain districts in 1905?

Mr. BRUSH. I can not give you any absolute comparison, for I do not know how to do it. It would be simply a guess.

The CHAIRMAN. But you knew all about it when you compared with the Poles in the last year or two.

Mr. BRUSH. I beg pardon; I said I thought that during that time the comparison was one way. Before that the American labor was more efficient and the Mexican labor was less efficient; in other words, the tendency throughout the last three years has been to make the American labor less efficient and the Mexican labor more efficient.

The CHAIRMAN. Do you mean to say that there was any change in the Rocky Mountain districts since you have used the labor of Poles and people of that character?

Mr. BRUSH. During the last two years—of course, during the last six or eight months there has not been such a demand for labor, and we have been able to select our labor; but up to that time we were not able to select it and had to take anything we could get.

The CHAIRMAN. How far are these mines that you own in Mexico from a railroad?

Mr. BRUSH. We usually have a railroad or a branch of a road run right to the mine; in fact, we have no mine that does not have a branch road running right to it.

The CHAIRMAN. Branches that you have built?

Mr. BRUSH. We sometimes build them ourselves and sometimes the railroad does it.

The CHAIRMAN. What is the cost of freight from the mine to the smelter?

Mr. BRUSH. From the principal mines to the principal smelters of Mexico it is $3 gold.

The CHAIRMAN. Per ton of ore?

Mr. BRUSH. Per ton of ore. That would be $6—it runs about 50 per cent concentrates, and it would mean about $6 gold on the lead. The freight from the Monterey smelters to New York is $4 gold, so that the cost of the freight from the Mexico mines to New York is $10 per ton of lead, assuming that the concentrates shipped were 50 per cent, which is perhaps a little more than they are.

The CHAIRMAN. Put right in there the cost of freight from the Colorado mines to New York.

Mr. BRUSH. The freight from the Coeur d'Alene mines, which produce a very large proportion of all the lead in the United States, to the smelters in Colorado of $100 valuation, which is the same in

Digitized by Google

Mexico, is $10 a ton of ore. That would be $20 a ton of lead. And then the freight on the ton of lead from Denver to New York is $7; so that the freight, comparing the Mexican principal mines with the Coeur d'Alene mines, is $10 gold per ton of lead in Mexico and $27 per ton of lead in the United States.

Mr. HILL. Mr. Allen said that the freight was $25; that is, $1.25 a hundred.

The CHAIRMAN. That was from Utah?

Mr. HILL. Yes.

The CHAIRMAN. Mr. Brush did not agree with that statement from Utah.

Mr. BRUSH. It depends upon what you figure. I gave the freight on the bullion. He is giving the freight as it works back to the lead in the ore, and that depends absolutely upon how much per cent of lead is in the ore.

The CHAIRMAN. The entire freight you charge back to the miner you said was $1.25 a hundred.

Mr. BRUSH. I did not say that. I said the entire freight that we charged back to the miner was the freight we paid from the smelters to New York, which in the case of the Colorado smelters is $7, and in the case of the Utah smelters it is $9 to $10, I am not sure which. That is per ton of lead.

The CHAIRMAN. The Cœur d'Alene districts produce what proportion of lead that runs through your mills?

Mr. BRUSH. The proportion of the country's production—I think the entire production of the Cœur d'Alene district is about 150,000 tons a year of lead, while the entire production of the country is 350,000 tons.

The CHAIRMAN. But is there any smelter nearer the Cœur d'Alene district than your smelters in Colorado?

Mr. BRUSH. There are competing smelters in Colorado and in Utah, and one right in the Cœur d'Alene district itself; and those are the principal competitors for the lead ores in themselves, one right in the Cœur d'Alene district.

The CHAIRMAN. That would save considerable freight, being right in the district?

Mr. BRUSH. They do save freight, but they lose it in other ways.

The CHAIRMAN. They lose because they have to have you refine it?

Mr. BRUSH. No, sir; because they can not get the mixture of ore to smelt correctly. The Coeur d'Alene mines, for instance, to give you an illustration, are owned by large corporations. If they could smelt more profitably themselves right at the mines, then they would not sell the ore to us, for they would put up their own smelters and smelt it.

The CHAIRMAN. They do not own any smelters?

Mr. BRUSH. No; it is not profitable for them to smelt.

The CHAIRMAN. Do you have directors on their boards?

Mr. BRUSH. No, sir; with the exception of one, our company has no interest whatever.

The CHAIRMAN. Is that one Mr. Brush?

Mr. BRUSH. I am not speaking of myself. There is only one mine in the Coeur d'Alene district that our company is in any way interested in, and that is in a very minor way.

The CHAIRMAN. You said that the average freight was $27?

Digitized by Google

Mr. BRUSH. Per ton of lead; yes.

The CHAIRMAN. How much is the average freight from the western mining districts on the 350,000 tons they produce?

Mr. BRUSH. Of the 350,000 tons, about 125,000 tons I believe are produced in the State of Missouri, and do not come to the smelting company at all. They there simply melt it down. There are no precious metals in their ores, and consequently they do not need the metallurgical smelting that is necessary with respect to the Rocky Mountain ores. So that the other ores are produced all over the country. Colorado produces now, I believe, about 40,000 tons. A few years ago they produced 60,000 tons. Even with the high prices on lead their product has decreased very largely, because the mines are working out and no new mines have been discovered; and they are running lower and lower in all the mines, not only with respect to lead, but also silver and gold.

The CHAIRMAN. The Missouri mines have no precious metals to help them out. You say that the process of reducing the lead to bullion is much more simple?

Mr. BRUSH. Very much more simple.

The CHAIRMAN. And much cheaper?

Mr. BRUSH. No. If you give credit to the Coeur d'Alene mines for their silver, in other words, you simply throw the silver in as cutting down the cost of making the lead, which I do not think is a fair way to figure, you will find that the lead in the Coeur d'Alene costs on an average, according to the best authorities, 4 cents a pound; and in Missouri, according to the best evidence we can get, it costs about 3½ to 3¾, and that is without making any charge for amortization, which ought to be 10 per cent of all the capital.

The CHAIRMAN. That takes into account the precious metals they get?

Mr. BRUSH. Yes; that is giving credit to them for that.

The CHAIRMAN. What is the cost of the lead bullion from the Mexican mines?

Mr. BRUSH. We have to sell at the foreign price.

The CHAIRMAN. I know; but what is the cost——

Mr. BRUSH. Well, I don't know how to tell you that because, as I say, it depends entirely upon whether the mine is 100 feet deep or whether it is 500 feet deep and whether it contains 5 ounces of silver or 25, or whether it contains any gold or not, as to the cost.

The CHAIRMAN. Do you mean to say, as vice-president and general manager of this company, you do not know the average cost?

Mr. BRUSH. I know that the lead is sold at an average of 2 cents a pound at the mine, and the mines, most of them, make money at that. Some of them make a little money and some of them considerable money.

The CHAIRMAN. What do you mean by being sold at 2 cents a pound?

Mr. BRUSH. The mine sells the ores to the smelter at London price less the freight.

The CHAIRMAN. It nets 2 cents?

Mr. BRUSH. It nets 2 cents a pound to the miner. The present price of lead in London is equal to 2¾ cents a pound. It costs three-quarters of a cent a pound in freight to get it there. So it brings it down to a net price of 2 cents at the mines.

Digitized by Google

The CHAIRMAN. Transportation is one-half a cent?

Mr. BRUSH. Three-quarters of a cent.

The CHAIRMAN. From the mine to New York?

Mr. BRUSH. That is about the way it figures out.

The CHAIRMAN. And then in addition to that there is a smelting and refining charge?

Mr. BRUSH. Yes, sir. They have to take all of their cost of mining and smelting and refining out of that.

The CHAIRMAN. And how much is that?

Mr. BRUSH. Well, it is just about the same as it is in America. That is, it is refined—our bullion is refined in America. There is some bullion refined in Mexico. I assume it is refined for less than we can refine it for in this country.

The CHAIRMAN. It is about the same for everything except the cost of labor and freight?

Mr. BRUSH. Yes.

The CHAIRMAN. The freight is higher, but the smelting is the same, practically——

Mr. BRUSH. No.

The CHAIRMAN. And that is the same per pound, deducting the price of the precious metals, because there is none found there, is there?

Mr. BRUSH. I beg your pardon——

The CHAIRMAN. That is the same, deducting value of the precious metals?

Mr. BRUSH. Yes; that goes into the profit of the mine. The profit of the mine depends on the amount of precious metals that they have.

The CHAIRMAN. What did you tell me the difference in market price of lead bullion was between this country and abroad?

Mr. BRUSH. I say this: At times when the country is not producing as much as they need, and have to import, the price will run up to the importation price for the time. That of course is self-evident; but a great deal of the time it is unnecessary to import, and then the price drops off. So up to the boom time of 1906 the price of lead averaged a little over 4 cents in St. Louis, just about what it is at the present time, which I consider, on a normal basis, about the average price of pig lead in this country.

The CHAIRMAN. And what is it abroad?

Mr. BRUSH. Abroad at the present time it is 2¾ in London.

The CHAIRMAN. At the present time?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. But in the same period you were comparing it, you gave us the difference in the price of lead between the price abroad and St. Louis for a number of years?

Mr. BRUSH. It is all on that one sheet that I have left, I think, at the hotel.

The CHAIRMAN. Your company is engaged in smelting and refining ores in bond, so to speak?

Mr. BRUSH. All of the ores that are imported from Mexico are imported in bond; it is all smelted and refined in bond, and since a year ago in April it has all been exported. Now, for a year and a half we have exported every pound of that lead.

Digitized by Google

The CHAIRMAN. Mr. Allen made some criticism about the amount that you were allowed, I don't know what——

Mr. BRUSH. I can tell you about that.

The CHAIRMAN. For some reason or other in the law——

Mr. BRUSH. The smelter only pays for 90 per cent of the lead that is shown by the assay. That is on the assumption that in the process of roasting, smelting, and refining, the smelter will lose that 10 per cent, and the Government regulation as to drawback, which was made after a careful investigation on the part of the Treasury officials, is acknowledging a wastage of 10 per cent. In other words, they find by an examination of the books of the smelting company and the sworn testimony given by the smelting company that the average loss of lead in smelting and refining is 10 per cent. The consequence is, if you pay duty on lead and bring it in and manufacture it in this country and export the manufactured article, the Treasury Department gives an allowance of 10 per cent, and that is based, as I say, upon careful examination, which has been made three times, during my recollection, in the last six or seven years. Why Mr. Allen should say that statistics show that only 97 per cent is saved is more than I know. I am sure he has not examined the statistics of our company, for instance; I know that.

The CHAIRMAN. How does the rate of profit on the lead which we get from Mexico and refine and sell abroad compare with the profits on the lead you sell in the United States from the mines in the United States?

Mr. BRUSH. We do not have any profit from selling either there or here.

The CHAIRMAN. I do not care how you get it, but the profit to your company from the smelting and refining of ore, and getting it into the market, pound for pound, how does it compare, the lead from Mexico and the lead from the United States that you sell here?

Mr. BRUSH. All smelting in Mexico is done at a lower cost than it is in this country. We do not refine in Mexico, so I do not know how much it costs there. There are refineries in Mexico. We refine in this country, so that the costs I have given for refining are exactly the same for American bullion and Mexican bullion, except for the difference that the Mexican bullion contains about two and one-half times as much silver and oftentimes five or six times as much gold, and of course the more silver and gold there is in the bullion the more it costs us to refine, the more metal is lost, and the more risk we take.

The CHAIRMAN. You take ore from other mines than those you own in Mexico?

Mr. BRUSH. Very largely. Our mining there is only from inheritance.

The CHAIRMAN. You take it on the same terms that you take the ore from the mines in the United States? I mean you take it in the same way?

Mr. BRUSH. Yes, sir; exactly.

The CHAIRMAN. And make the same charges against the ore that you do with the American ore?

Mr. BRUSH. Exactly. It is exactly the same in Mexico as here. There are some ores taken out at a loss and some are not.

The CHAIRMAN. You may proceed with your statement.

Digitized by Google

Mr. BRUSH. I think I have finished.

The CHAIRMAN. I did not know whether you had finished or not.

Mr. BRUSH. I believe I have.

Mr. CLARK. One American laborer will do as much work in ten hours as two Mexicans, won't he?

Mr. BRUSH. It depends on the class of American labor.

Mr. CLARK. The average American laborer now, you know what I mean by American laborer, he will do in ten hours, and do it easily, as much work as two Mexicans?

Mr. BRUSH. I think probably that is the case, on an average.

Mr. CLARK. These Poles and Polacks and Slavs you have got out there, are they good, stout men, or are they small, runty fellows?

Mr. BRUSH. Most of them are small.

Mr. CLARK. That is what I thought.

Mr. BRUSH. And they are very slow and very ignorant.

Mr. CLARK. And not 1 out of 15 is a naturalized American citizen?

Mr. BRUSH. That I do not know, but I think that is probably the case, because most of them are men who have not been in this country but a short time.

Mr. CLARK. You never paid any attention to that feature of it?

Mr. BRUSH. No; I simply assumed they could not be.

Mr. CLARK. I had occasion to investigate 2,400 of them once to see how they were going to vote and I found out of the lot only 150 had been naturalized, and I supposed it would run that way all over the country.

Another thing. You say you have no refinery in Mexico?

Mr. BRUSH. Yes, sir.

Mr. CLARK. In what shape do you ship your lead from Mexico to New York?

Mr. BRUSH. In the form of lead bullion, containing silver and gold in solutions and some impurities.

Mr. CLARK. Where are your principal plants?

Mr. BRUSH. You mean smelters?

Mr. CLARK. Yes.

Mr. BRUSH. In Mexico.

Mr. CLARK. No; I mean where are they generally?

Mr. BRUSH. In the United States, you mean?

Mr. CLARK. Yes; I am more interested in the United States.

Mr. BRUSH. One is in Texas and four in operation are in Colorado, and one in Utah, and one in Montana, and refineries at Omaha and Chicago and at Perth Amboy, and each of those refineries does a certain amount of smelting.

Mr. CLARK. What proportion of all the smelting you do is this Mexican ore?

Mr. BRUSH. I could not give you in tons, but in lead——

Mr. CLARK. Well, about?

Mr. BRUSH. In lead we are refining about 15,000 tons of American lead, and we are refining at the present time about 7,500 tons of Mexican bullion, just about one-half. As I said before, the amount that we are refining from Mexico is now greater than it has ever been before.

Mr. CLARK. What makes you keep quoting New York as a standard all the time? Nobody lives much east of New York in the United States.

Digitized by Google

Mr. BRUSH. For the reason that the contracts are made—the way we make our contracts, giving the whole price to the miner, we have got to use the price of a certain point, and then deduct the freight to that certain point. We choose New York to make the price, and deduct the freight to New York. It would be just as easy to make the price St. Louis and deduct the freight to St. Louis, if it had been the custom to do that, but the other custom has grown up.

Mr. CLARK. We tried our best with one witness who was here to make him tell what we thought was the truth, but we did not succeed in doing it, and that was that you could ship lead from Chicago to San Francisco cheaper than from Chicago to Utah, and he never did admit it, and left this House without admitting it. Well, that is not true, is it?

Mr. BRUSH. You say you can ship lead from Chicago to San Francisco cheaper than from Chicago to Utah?

Mr. CLARK. That is exactly what he stated, and he stated it over and over again.

Mr. BONYNGE. I think that is true.

Mr. BRUSH. It may be true; I don't know anything about it at all. I never knew of any lead being shipped from Chicago to San Francisco, or even to Utah.

Mr. CLARK. Well, I was trying to make him say on cross-examination that he was located out there in Utah better for lead purposes than the Mexicans were, and that the Missouri men were fairly well located, but I could not get it out of him, and nobody else could get it out of him. Several of us took turns at him, and he stuck to it to the end, that Utah was not favorably situated for the purposes of shipping lead.

Mr. BRUSH. Well, it is not. The freights are very much heavier from Utah than from Mexico. The freights on ore from the Rocky Mountain region when carried back to the lead in the ore, comes to $27, in comparison with $10 from Mexico.

Mr. CLARK. Where is this Coeur d'Alene lead shipped to? Where is it principally sold and consumed?

Mr. BRUSH. All of the lead of the country is consumed virtually between St. Louis and New York. I do not suppose that there is 1 per cent of the lead consumption of the country west of St. Louis. I mean as pig lead. Whatever is consumed out there is shipped out in the form of manufactured products.

Mr. CLARK. That is between St. Louis and the Pacific coast?

Mr. BRUSH. Yes, sir; because there are no manufacturers of lead that I know of between St. Louis and the Pacific coast.

Mr. CLARK. How do you account for that strange phenomena, when all the lead in the United States, nearly, is gotten between St. Louis and the Pacific coast?

Mr. BRUSH. Simply because the manufacture has grown in that section of the country, and it has not grown up in the other section of the country.

Mr. CLARK. How much are these Mexicans paid; did you say 50 cents?

Mr. BRUSH. Fifty cents a day, whereas in the Coeur D'Alene section they are paid $3.65 a day of eight hours. That is about 45 cents an hour, as compared with 5 cents an hour.

Digitized by Google

Mr. CLARK. Could we produce in the United States, under any circumstances whatever, in your judgment all of the lead that we use?

Mr. BRUSH. Why, I believe that the production of lead is in proportion to the price very largely. Certainly below 4 cents. We have found by experience that one-half of the product of the country was cut off and shut down. As the price increases from 4 cents the production increases, and it is in a regular ratio with the price.

Mr. CLARK. What do you want anyhow, as to this tariff?

Mr. BRUSH. In the first place, I would like to say that I came here upon the invitation of the committee——

Mr. CLARK. I understand; but you certainly have some notions?

Mr. BRUSH. I have, decidedly, and would be glad to state them. I believe if the duty on lead in ore is made less than 1½ cents it will cut off very decidedly the production of pig lead in this country. I believe that a cent and a half duty to-day protection to the miner is not much, if any, better than a cent would have been when the Dingley tariff was put on. And the result is that I believe it would be a very dangerous thing indeed to reduce the duty on lead at all. Now, when you go beyond that, you then come to protect the smelter and refiner, and there has been a protection there to the smelter; there has been no protection to the refiner. I believe there ought to be some protection to the refiner.

Mr. CLARK. The refineries are getting along pretty well now, are they not?

Mr. BRUSH. I will show you why. It is this. When this duty was put on by the Dingley tariff, and the duty on bullion and lead was made the same, there was no pig lead refined in Mexico at that time. If you imported pig lead at that time you had to import it from Europe. The two freights, the freight over and the freight back, the time it takes to get here, the uncertainty of the market, were sufficient protection for the refiner. At the present time, however, lead is refined in Mexico, and the result is we bring our bullion from Mexico and refine it in New York Harbor, at American works costing several million dollars—which we would not build again if we had it to do over again; we would build the works in Mexico—and with American labor paid very much higher than the Mexican labor, and yet we can not sell our lead to New York consumers; they buy the Mexican lead that is refined in Mexico and brought to New York and sold there——

Mr. CLARK. Why do they buy it?

Mr. BRUSH. Because they can not get the other. There are times when the country wants more lead than the country produces and we have to have more lead. Then, again——

Mr. CLARK. Now——

Mr. BRUSH. I would like to say this right here, if you will permit me.

Mr. CLARK. Certainly.

Mr. BRUSH. They buy it for drawback purposes. They buy it and pay the duty and manufacture it and export the manufactures.

Mr. CLARK. The truth about the whole thing is that Mexican lead doesn't come in except when our supply of lead runs short; is not that so?

Mr. BRUSH. That is what it amounts to except——

Mr. CLARK. I thought so. Now——

Digitized by Google

Mr. BRUSH. Except to the extent that this lead from Mexico, that is sold for the purposes of manufacturing and export, with the privilege of drawback, comes in; and that is coming in all the time to the extent of 9,000 to 10,000 tons a year.

Mr. CLARK. Now, if all that is true, how does the tariff help in that matter? If the lead only comes in when our stock runs short, then how does Mexican ore come into competition with American ore?

Mr. BRUSH. If you have the price of lead 5 cents, there will be a certain shortage; if you have the price of lead 4 cents, there will be a greater shortage. The shortage will be just so much more, and there will be then so much more imported.

Mr. CLARK. The truth is that there is practically an inexhaustible supply of lead in the United States, is it not?

Mr. BRUSH. No; very far from it. As I stated, there have been no new lead mines discovered of any consequence whatever in the last ten years, and the mines that have been producing are constantly depleting their reserves.

Mr. CLARK. You think you ought to have a little more tariff, then?

Mr. BRUSH. I think the duty on lead ore should remain the same as it is, should not be reduced at all. I think the duty on pig lead can be reduced, because that protection for the smelter is not a necessity.

Mr. HILL. You mean the difference between one and one-half and two and one-eighth?

Mr. BRUSH. That is it. I think that that difference can be cut down. I am saying that as a smelter and a refiner, and I say that against the direct interests of the smelting and refining company. The indirect advantage is, finally, that we are interested in having the American refiner produce as many tons of ore as possible in this country provided it can be sold in this country.

Mr. CLARK. I thought you said a while ago that you thought there ought to be some protection to the refiner?

Mr. BRUSH. I say so now. I think in reducing the tariff on pig lead that it ought not to be reduced as much as on pig bullion. If, for instance, the duty on pig lead was reduced three-eighths, it would make it 1⅞, and the duty on lead bullion was reduced so as to protect the American laborer that is refining bullion in this country by one-half cent, it would make the duty on bullion five-eighths.

Mr. HILL. How about lead in the ore?

Mr. BRUSH. I have stated that I think it would be very dangerous to reduce that duty. I believe the duty of 1½ cents now is no more protection than 1 cent would have been ten years ago.

Mr. CRUMPACKER. I would like to know the current value of a ton of lead in the rock at the mine. What is it worth in the market now?

Mr. BRUSH. We pay just whatever the New York price is for the lead——

Mr. CRUMPACKER. I understand: but what——

Mr. BRUSH (continuing). And whatever the London price is for the silver.

Digitized by Google

Mr. CRUMPACKER. What is it worth by the ton now, the ore in the stone, in the rock?

Mr. BONYNGE. That changes every day, does it not?

Mr. BRUSH. That changes every day according to the prices of silver and lead. To-day the New York price of the American Smelting and Refining Company is 4.30, and they are paid $4.30 a hundred pounds for 90 per cent of the lead.

Mr. CRUMPACKER. But you have had experience enough to know about what that would be for the lead content of the stone at the mine.

Mr. BRUSH. I have figured it in my early testimony, taking that one mine, which is one of the few mines that were profitable in the Coeur d'Alene when lead was at 4 cents, and which did not close down, and consequently it is an illustration that gives better than an average. I showed that at 4 cents for lead in New York, and 50 cents for silver the mine was making 31 cents a hundred pounds of lead in ore——

Mr. CRUMPACKER. Let me get that in my mind clearly. The ore, then, in the stone at the mouth of the mine is worth 31 cents a hundred pounds?

Mr. BRUSH. Yes, that is about what it nets them at those prices, and that is without making any deduction for amortization.

Mr. CRUMPACKER. What is the ore in the rock worth at the mouth of the mine in Mexico?

Mr. BRUSH. I have not figured that up, but there is this difference: The Coeur d'Alene miner gets 4.30 cents for the lead that is in his ore; the Mexican mines get 2 cents for the lead that is in its ore, so there must be——

Mr. CRUMPACKER. I thought perhaps you had that in mind, so that you could give it readily. I notice the duty of 1½ cents a pound is equivalent to 78.80 per cent ad valorem?

Mr. BRUSH. Is that so?

Mr. CRUMPACKER. Upon lead in the ore.

Mr. BRUSH. The London price?

Mr. CLARK. It is 1½ cents divided by that four.

Mr. CRUMPACKER. Thirty dollars a ton. Well, the Government takes the price that it sold for in Mexico, and it is our duty, and it makes 78.8 per cent ad valorem duty.

Mr. BRUSH. Well, I don't know what it is, but you see the difference in the labor, 5 cents and 45 cents——

Mr. CRUMPACKER. Do you think there is practically 79 per cent difference between the cost of production in Mexico and the United States?

Mr. BRUSH. I know so. I know that lead can not be produced in the United States at 4 cents, except a restricted amount, whereas I know that lead is produced in large quantities in Mexico that only nets them 2 cents.

Mr. CRUMPACKER. And that difference, Mr. Brush, is mainly attributable to the difference in the cost of labor?

Mr. BRUSH. Yes, sir. Well, very largely freight also; there is a very large difference in freight.

Mr. CRUMPACKER. What is the world's price of ore in bullion pig to-day?

Digitized by Google

Mr. BRUSH. The world's price for lead is £13, was yesterday £13 3 shillings 9 pence, London, which means that it would cost to deliver it in New York——.

Mr. CRUMPACKER. What is it worth in London in dollars and cents?

Mr. BRUSH. It is $2.75 in London—£13.

Mr. CRUMPACKER. That is $2.75 a hundred?

Mr. BRUSH. Yes.

Mr. CRUMPACKER. We have a tariff, a duty of $2.125?

Mr. BRUSH. On pig lead, yes.

Mr. CRUMPACKER. Do you think that is a reasonable duty?

Mr. BRUSH. I think that can be reduced; I have so stated.

Mr. CRUMPACKER. How much does it cost to smelt, eliminating now the question of freight, how much is the cost of smelting concentrates, of reducing the concentrates to pig lead or bullion?

Mr. BRUSH. It depends so entirely upon the supply of ores and location that it is almost impossible to give an average. I have before me a statement from East Helena showing a cost there of $4.38 a ton of all classes of ore. That is, the average on all ore.

Mr. CRUMPACKER. Four dollars and thirty-eight cents a ton?

Mr. BRUSH. That is on all ore. Whereas at the Murray plant it was $3.25.

Mr. CRUMPACKER. That is, $3.25 per ton of lead?

Mr. BRUSH. No, sir; that is per ton of ore that is smelted.

Mr. CRUMPACKER. The average is about 50 per cent of lead contained in the concentrate?

Mr. BRUSH. That is the case in most of the large receipts of lead. They are received in concentrates running around 45 per cent. But I am figuring this on all the tons of ore that are smelted, and there are lots of tons of ore smelted with no lead in at all.

Mr. CRUMPACKER. It is safe to say, then, Mr. Brush, that it does not cost more than $8 a ton for the lead for smelting, calculating that the concentrates run about 50 per cent of lead?

Mr. BRUSH. In this example I gave I used $3 per ton of concentrates as the cost of smelting.

Mr. CRUMPACKER. Three dollars per ton of concentrates?

Mr. BRUSH. Yes.

Mr. CRUMPACKER. And at 50 per cent it would amount to $6, but suppose we fix it at $8. Eight dollars will amply pay the cost of smelting, will it not?

Mr. BRUSH. I should say so.

Mr. CRUMPACKER. And we have a differential to protect this smelter of $4.50 more than the entire cost of the smelting process?

Mr. BRUSH. Yes.

Mr. CRUMPACKER. You think that is too high?

Mr. BRUSH. Yes, sir.

Mr. CRUMPACKER. Do you think we need any at all, any duty for smelting?

Mr. BRUSH. I think there should be some. It costs very much more to smelt in this country than in Mexico. Why should there not be a protection?

Mr. CRUMPACKER. Let me suggest this thought to you: With practically 80 per cent of duty on the lead content of the ore——

Digitized by Google

Mr. BRUSH. That has nothing to do with the protection to the smelter.

Mr. CRUMPACKER. It has in this way. It keeps it out of the country. Practically 80 per cent of the duty on lead, there would not be any American lead practically sent to Mexico to be smelted, even if we had no duty at all, no differential at all in favor of the smelter.

Mr. BRUSH. No, I think not; although it might be the case, you can not tell.

Mr. CRUMPACKER. And that duty would be sufficiently high to make it profitable in this country to mine and smelt and refine lead, would it not?

Mr. BRUSH. I come down to this in my thought, and that is, that smelting is done in Mexico at the present time with Mexican ores and Mexican labor, costing very much less than American labor, and Mexican ore is imported here, and I think we ought to give some advantage——

Mr. CRUMPACKER. For what purpose?

Mr. BRUSH. For smelting in this country.

Mr. CRUMPACKER. In bond?

Mr. BRUSH. In bond, yes.

Mr. CRUMPACKER. But suppose now we had no differential at all and the Mexican ore could not come into this country, lead in bullion or pig, without paying $30 a ton duty. You say that our ores could not profitably be taken down to Mexico. Would there still be profit enough in the mining of lead to justify its production, smelting, and refining here?

Mr. BRUSH. As a matter of fact, only 1½ cents is the protection to the miner, and that is needed. Beyond that is protection to the smelter and refiner.

Mr. CRUMPACKER. Let me ask you this: Is that not sufficient to practically keep foreign lead out of this market?

Mr. BRUSH. We thought that when the duty was placed on it by the Dingley bill that it was not necessary to make any difference between the duty on bullion and the duty on pig lead, but now we find that that is not the case, because they have started to refine in Mexico, and they are refining lead in Mexico, and that refined lead is being marketed in New York at a price so that the American Smelting and Refining Company can sell their lead that is refined.

Mr. CRUMPACKER. And market it in New York for American consumption?

Mr. BRUSH. It is marketed there.

Mr. CRUMPACKER. For drawback purposes, but I mean for American consumption; there is practically no lead coming to this country for our consumption now, is there?

Mr. BRUSH. But the American Smelting and Refining Company would naturally like to sell to the lead consumers in New York the lead they refine rather than have them buy lead that is refined in Mexico.

Mr. CRUMPACKER. What I am anxious to know about is whether this $30 a ton, levied for whatever purpose, no matter for whose protection it may have been imposed, is not sufficient to practically secure to the American refiner the control of the American market, and incidentally the American refiner and smelter.

Digitized by Google

Mr. BRUSH. Well——

Mr. CRUMPACKER. Would it not operate that way?

Mr. BRUSH. It possibly might; but, as I say, the illustration is right here now that the lead that is being refined in Mexico is being sold in New York in competition with our American refined lead from Mexican bullion that is refined there in bond.

Mr. CRUMPACKER. How much differential do you think would be safe to remove?

Mr. BRUSH. I think that there should be a differential of one-eighth of a cent between the ore and the bullion, and one-eighth of a cent between the bullion and the pig lead.

Mr. CRUMPACKER. It is now 1½ cents on the ore?

Mr. BRUSH. Yes, sir.

Mr. CRUMPACKER. And you would add one-quarter of a cent; that is, one-eighth for smelting and one-eighth——

Mr. BRUSH. For refining.

Mr. CRUMPACKER. Making the total duty on the refined product 1⅜, instead of 2⅛?

Mr. BRUSH. Yes, sir; I think that that could be done without any complaint on the part of the smelters.

Mr. UNDERWOOD. You say you are in favor of increasing the duty on refined lead?

Mr. BRUSH. No, sir; I said I thought the duty on refined lead could be reduced three-eighths of a cent.

Mr. UNDERWOOD. What do you think it should be raised on?

Mr. BRUSH. It is raised simply in comparison. I thought the duty on bullion should be reduced one-half a cent and the duty on pig lead reduced three-eighths of a cent. They both now carry the same duty. So by that means there would be a preferential between the bullion and the pig lead of one-eighth, whereas now there is not any.

Mr. UNDERWOOD. I understand you want that so that the American refiner of foreign ores can sell to the American trade that is doing an export business.

Mr. BRUSH. Yes, sir.

Mr. UNDERWOOD. If we put that differential on there, would not that make the American exporter pay more for his raw material in this country than the manufacturer abroad, and therefore put him at a disadvantage with his competitor abroad?

Mr. BRUSH. No; it would not at all. He would get a drawback of whatever the duty is, which brings it down to the London price. The matter of fact is, by that process the manufacturers in New York or on the seaboard, or, in fact, out in Pittsburg, are getting their lead at exactly the same price as the manufacturer in Europe. In fact, on account of freight differences, they are sometimes getting it for something less than the manufacturers abroad pay, and there is quite a business being built up of that nature.

Mr. UNDERWOOD. If I understand correctly from your testimony, the lead that is being imported into this country is being exported again?

Mr. BRUSH. Yes, sir. Entirely so. That is, it is all being imported in bond, and then it is all being exported.

Mr. UNDERWOOD. So that under the present duty there is practically no competition with the American lead market for home consumption?

Digitized by Google

Mr. BRUSH. That is so; yes.

Mr. UNDERWOOD. Then the present duty is prohibitive?

Mr. BRUSH. The present duty is prohibitory so long as this country produces more or as much as it needs. They buy here first. The price would go to the point where it will be produced.

Mr. UNDERWOOD. It is only when the American stock of lead is exhausted that the foreign lead can come in at all?

Mr. BRUSH. That is so; there is no doubt about that.

Mr. UNDERWOOD. Then the duty manifestly is too high, is it not?

Mr. BRUSH. No, sir; I do not think so. My understanding, and the way I was brought up as a protectionist, is that it is the desire of the protectionist that the product of this country should be encouraged up to the point of the necessities for consumption, that we ought to eventually be able to produce everything that we consume.

Mr. UNDERWOOD. You think, then, that the ideal condition to promote American industry—to bring capital and labor up to its highest advancement in the industry—is to prohibit competition from abroad and give the sluggish manufacturer in America the absolute control of the American market, regardless of what anybody is doing abroad?

Mr. BRUSH. No; I do not think that. I do not think that is an economic possibility in my opinion. As soon as it costs so much less than the article brings as to give an abnormal profit, the competition will reduce that price. I know, for instance, take lead, if a price of 5 cents brings out more pig lead than the country consumes, the price will go to 4 cents and cut off production, and will bring about an equilibrium with a fair profit on the cost. As I showed you, the costs are very much larger in this country than they are abroad.

Mr. UNDERWOOD. But looking at it from the standpoint of the consumer, although it may be good policy at times to develop our industries and our manufacturing industries, yet the ultimate result we are striving at is to produce a better and cheaper product for the consumer. That is the only justification of the protective tariff, as I understand it.

Mr. BRUSH. I should think so, although I must say I do not feel competent to carry on a discussion in regard to the economic features of the protection theory.

Mr. UNDERWOOD. If you put a prohibitory duty on any article so that there could be no competition from abroad, you withdraw all desire on the part of the American producer to come up to the best and latest standards of development, do you not?

Mr. BRUSH. I know this; that with the present price of lead, it has varied in accordance absolutely with the production and the demand in this country, based upon the cost; and the cost is abnormal as compared with Mexico, which is our competitor, for the reason that the labor is so much higher now. We can not get over that fact. You put the tariff at a point that is not prohibitory and then lead will not be produced in this country.

Mr. UNDERWOOD. We have a duty of 40 per cent on iron ore, and that is not prohibitory, but the development of iron ore in this country is in a healthy condition.

Mr. BRUSH. There is a surplus of iron ore in this country, but not a surplus of lead ore. I should think you should take these industries——

Digitized by Google

Mr. UNDERWOOD. Do you not think if there is a surplus of iron ore and not a surplus of lead that the lead man is in a much better condition to compete than the iron man, who has a tremendous supply in this country?

Mr. BRUSH. The reason why there is not a surplus of lead is that it costs so much more to get it, in the way of freight and labor, and because it is deep mining, whereas with iron it is different. I would like to put right in here this feature, that you must not lose track of. Mining is altogether different, and you must see it is entirely different from any manufacturing industry. When I say mining, I mean mining such as lead-silver mining. With iron it is different, as I understand it. They have almost inexhaustible supplies of iron ore, but in the case of lead-silver mining, it starts with a prospect; a man starts out with a prospect and nothing but hope, and there are a hundred prospects to every one mine that proves to be a producer, and out of ten mines that prove to be producers not more than one ever pays. So, unless you have a price that seems to encourage a man to take chances we will have no development of lead here whatever.

Now, if you believe that it is best for the country to buy where you can buy the cheapest and let this country get along without the great mining industry of lead, then that is the thing to do; but the great industry of lead mining takes an enormous amount of labor, pays an enormous amount of freight——

Mr. UNDERWOOD. You are getting very far away from my proposition, Mr. Brush. My proposition did not go to the point of suggesting that we take all the duty off of lead ore or lead. It was that I called attention to the fact that we have got a duty on iron ore, a large amount of which is coming into the country. We have a duty on coal, and a considerable amount of coal is coming into the country. We have a duty on woolen goods, and a considerable amount of woolen goods is coming into the country. Those industries are not languishing; they are in a healthy condition; they are being properly taken care of; their workmen are being employed, and they are not paying a prohibitive duty. As to the development of iron ore, you take a brown iron ore mine, and you drift back into the hill, and your mine may become exhausted. You have spent thousands of dollars on it, perhaps, and you lose it all, because you take the same chances you would in a lead mine or in a copper mine.

Mr. BRUSH. I don't think so, although I don't know.

Mr. UNDERWOOD. Where you have the ore running in strata, like you have with red fossiliferous ore, it may be different; but when you have a brown ore, that lies in pockets, you have no way to ascertain how much you have, and you may exhaust your supply and lose a large part of what you put in the mine. Yet that industry seems to be prosperous. I want to know why you want a prohibitory duty, a duty that you admit is prohibitive; why should you insist on such a duty when we have not such duties on other lines of industry?

Mr. BRUSH. I do not know any reason why people should import anything that they could get just as cheap here. I am not able to discuss those points. It may be that in those mines you speak of they have to have certain grades of one thing and certain grades of another. That is not so in pig lead. Pig lead is pig lead the world over.

Digitized by Google

Mr. UNDERWOOD. If you do not know of any reason, I will suggest this thought to you: That although we may apply a protective duty or a revenue duty and there will be developed manufacturing industries here at home and the tariff will be for the benefit of the development, yet in the end the people of the United States have some interest in the matter, and do you not think that they are entitled to a fair competition that will prevent monopolistic prices from growing up in this country?

Mr. BRUSH. As I say, that is a discussion of the tariff question that I do not feel competent to go into. I simply know that the lead industry has been built up under a protective tariff, and with a less tariff that industry would be not destroyed but comparatively destroyed. I know that in the building up of a manufacturing industry our industries have often been able to compete, but in this case I know the lead industry could not——

The CHAIRMAN. Mr. Brush, what percentage of the consumption of lead in this country is refined by your corporation?

Mr. BRUSH. The production of lead last year, 1907, was reported to be about 370,000 tons, and we refined about 175,000 tons of domestic lead. That would be virtually 50 per cent.

The CHAIRMAN. What proportion of the Mexican ores does your company refine?

Mr. BRUSH. I believe that the importations now from Mexico are about 9,500 tons of lead, and of that we import about 7,000 tons at the present time.

The CHAIRMAN. That is all that you refine of the production of Mexico?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. Do you know what the total production of the Mexican mines is?

Mr. BRUSH. No; that I do not know, but I think that the 9,500 tons is the total. I do not think any lead goes anywhere else than to this country.

The CHAIRMAN. Except what goes to your company?

Mr. BRUSH. Except what comes to this country for refining, or in a refined state to be sold here. I do not know of any pig lead going from Mexico abroad.

The CHAIRMAN. Is there a refinery in Mexico?

Mr. BRUSH. No, sir; we have none there. There is a refinery there owned by a Mexican company.

The CHAIRMAN. The refined lead is sold in the United States?

Mr. BRUSH. That is sold in New York almost entirely. It competes with our lead that is refined here but smelted in Mexico.

The CHAIRMAN. I understood you to say you think there ought to be a protective duty on the refined products?

Mr. BRUSH. Yes, sir. Now that lead is refined in Mexico, with Mexican labor, that competes with the Mexican bullion that is refined in this country, it seems as though that business ought to be protected. It is not protected at all in the present tariff. I think that is a reasonable proposition.

The CHAIRMAN. And yet they only refine about 2,000 tons which come to this country, against our consumption of 350,000 tons?

Mr. BRUSH. They do not even refine that much. I do not think they refine more than 900 tons.

Digitized by Google

Mr. CRUMPACKER. That is for manufacturers on exportations where they get the drawback?

The CHAIRMAN. I understood him to say that the amounts you refine you get the drawback on—7,000 tons. The margin between 1,000 and 2,000 tons that they refine and bring into this country——

Mr. BRUSH. No; they only refine about 900 tons of that. The rest is bullion brought in and refined at other refineries in this country.

The CHAIRMAN. Is that 900 tons sold in this country?

Mr. BRUSH. Yes, sir.

Mr. CRUMPACKER. For use in this country?

Mr. BRUSH. For manufacture in this country.

Mr. CRUMPACKER. Upon which there is no drawback?

Mr. BRUSH. I think it is very largely used in the manufacture of material to be exported.

The CHAIRMAN. I understood you to say that 1½ cents on lead in ore will amount to about the same protection that a cent amounted to in 1897?

Mr. BRUSH. I think so. I think there is more protection needed now than then, for the reason that the costs are more now than then.

The CHAIRMAN. Then 1 cent a pound in 1897 would have been prohibitive, practically, except for the lead to make up the deficiency in what we produce here?

Mr. BRUSH. I do not think it would have been prohibitive.

The CHAIRMAN. You say now there is no lead imported here except to make up the deficiency in what we produce?

Mr. BRUSH. Naturally the domestic producer fills the market as long as he can.

The CHAIRMAN. They fill it at the same price, do they not?

Mr. BRUSH. Yes.

The CHAIRMAN. And you think the same results would have obtained if there had been only 1 cent a pound on the lead in ore in 1897 in the tariff bill then?

Mr. BRUSH. I think that with a duty of 1 cent a pound in 1897 the miner would have made just as much money as he will now make with a duty of 1½ cents.

The CHAIRMAN. Then the House was right in 1897 in fixing this duty not higher than 1 cent a pound?

Mr. BRUSH. That I do not know. I am simply giving you this as a business situation.

The CHAIRMAN. You did not appear before the Senate Finance Committee at that time?

Mr. BRUSH. No, sir.

The CHAIRMAN. Do you know who did?

Mr. BRUSH. The American Smelting and Refining Company was not in existence at that time.

The CHAIRMAN. No; that was formed in 1899?

Mr. BRUSH. Yes, sir; I believe it was.

The CHAIRMAN. It seems to have been formed in April, 1899.

Mr. BRUSH. Yes, sir.

The CHAIRMAN. And it was made up of some thirteen corporations, was it not?

Mr. BRUSH. About that. I am not sure of the exact number.

The CHAIRMAN. I will not go into the statement of what those corporations were. Do you happen to recollect what the capital was at that time?

Digitized by Google

Mr. BRUSH. I think that it was $65,000,000. I am not sure whether it was $65,000,000 or $55,000,000.

The CHAIRMAN. I think $65,000,000 was the proper figure at that time. Then in 1901 they acquired the smelting and refining business of M. Guggenheim Sons, did they not?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. Do you know what they paid for that property?

Mr. BRUSH. They paid for the property and for cash——

The CHAIRMAN. Property and what?

Mr. BRUSH. They paid for the property and cash, a certain amount of cash, the remaining stock, the difference between $65,000,000 and $100,000,000.

The CHAIRMAN. How was that?

Mr. BRUSH. They paid $35,000,000 of stock for the Guggenheim properties and a certain amount of cash, if I remember rightly.

The CHAIRMAN. Then in 1905 they acquired the property of the American Smelters' Security Company, did they not?

Mr. BRUSH. No, sir; they took an interest in the American Smelters' Security Company to the extent of a portion of the common stock of the company.

The CHAIRMAN. $17,751,000?

Mr. BRUSH. Yes, sir; of the common stock.

The CHAIRMAN. That was a majority, was it not?

Mr. BRUSH. That was a majority of the common stock.

The CHAIRMAN. And the American Smelters' Security Company owned a controlling interest in the Federal Mining and Security Company at the time, did it not?

Mr. BRUSH. Yes, sir——

The CHAIRMAN. And also the Utah Security Company?

Mr. BRUSH. I beg your pardon; ask the first question again; I think I was wrong in my answer to that.

The CHAIRMAN. The American Smelters' Security Company at that time owned a controlling interest in the Federal Mining and Security Company, did it not?

Mr. BRUSH. No, sir; it did not at that time.

The CHAIRMAN. It did not at that time, you say?

Mr. BRUSH. No, sir.

The CHAIRMAN. They acquired it subsequently?

Mr. BRUSH. They acquired it subsequently; yes, sir.

Mr. HILL. Is there any objection to Mr. Brush sitting down, Mr. Chairman?

The CHAIRMAN. Certainly not. Be seated, Mr. Brush.

Mr. BRUSH. Thank you, Mr. Hill.

The CHAIRMAN. Your company does not own as much of the United Lead Company as formerly?

Mr. BRUSH. We do not own any of it.

The CHAIRMAN. You do not own any of it?

Mr. BRUSH. No, sir.

The CHAIRMAN. They did own some of it before April 30, 1906, did they not?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. What part of it did they own? How much of it did they own?

Mr. BRUSH. It was comparatively a small amount, but I am not clear in my mind as to what the amount was.

Digitized by Google

The CHAIRMAN. That you disposed of?
Mr. BRUSH. Yes, sir.
The CHAIRMAN. In 1906?
Mr. BRUSH. Yes, sir.
The CHAIRMAN. Now, in the early part of 1907 did your company acquire control of the copper-refining plant in Baltimore owned by Keizer & Co.?
Mr. BRUSH. We made a contract to do so.
The CHAIRMAN. Has that contract been fulfilled?
Mr. BRUSH. No, sir.
The CHAIRMAN. You have not acquired it?
Mr. BRUSH. We have not acquired it as yet. The contract covered a period of about five years.
The CHAIRMAN. You have control of it?
Mr. BRUSH. We expect to have.
The CHAIRMAN. Do you not actually control it now?
Mr. BRUSH. It is managed by the officers of the company.
The CHAIRMAN. Officers of your company?
Mr. BRUSH. No; the officers of the Baltimore company.
The CHAIRMAN. The Keizer Company?
Mr. BRUSH. The Keizer Company, who remain the same as previously, and they operate it for the benefit of the stockholders, and our company has so far acquired about one-fourth of the stock, if I remember rightly.
The CHAIRMAN. And they have a contract by which they are to acquire the whole, say within a period of five years?
Mr. BRUSH. Yes, sir; that is it.
The CHAIRMAN. The capital stock of your company now is how much?
Mr. BRUSH. One hundred million dollars.
The CHAIRMAN. Fifty million dollars common stock and $50,000,000 7 per cent cumulative preferred?
Mr. BRUSH. Yes, sir.
The CHAIRMAN. And the preferred stock has always paid the usual 7 per cent dividend?
Mr. BRUSH. Yes, sir.
The CHAIRMAN. Annually?
Mr. BRUSH. Yes, sir.
The CHAIRMAN. And the common stock paid dividends of 1¼ per cent per quarter from January, 1904, to July, 1905?
Mr. BRUSH. That is my recollection. I am not clear as to the exact dates.
The CHAIRMAN. And from October, 1905, to April, 1907, they paid 1¾ per cent quarterly?
Mr. BRUSH. Yes, sir; I believe so.
The CHAIRMAN. Then on July 15, 1907, they paid 2 per cent?
Mr. BRUSH. Yes, sir.
The CHAIRMAN. And you say this last year the dividends on the common stock were cut down to 4 per cent?
Mr. BRUSH. Yes, sir.
The CHAIRMAN. Now, in addition to that, you have been paying out of the earnings of the company for the property acquired, have you not?
Mr. BRUSH. For the property acquired?

Digitized by Google

The CHAIRMAN. Yes. For instance, in buying in some of these companies you have assumed some bonds?

Mr. BRUSH. In the original organization of the American Smelting and Refining Company there were bonds in existence against the Omaha plant which were assumed by the American Smelting and Refining Company.

The CHAIRMAN. How much were those?

Mr. BRUSH. They amount now to about $300,000. I think at the time they were something like $900,000, but I am not sure of the amount. That was nine years ago.

The CHAIRMAN. Did you assume any other bonded indebtedness?

Mr. BRUSH. No, sir; and no bonds have ever been issued.

The CHAIRMAN. You have an item in your report of investments in 1906 of $4,179,000. What was that investment?

Mr. BRUSH. Well, a part of it was the United Lead Company stock that you mentioned. I can not from recollection tell you what the balance was.

The CHAIRMAN. It does not include the 177,500 shares of American Smelters' Security Company stock of a par value of $17,750,000?

Mr. BRUSH. No, sir; that has never been given any value on the books of the company.

The CHAIRMAN. How much did that cost you?

Mr. BRUSH. It cost us a guaranty .

The CHAIRMAN. It cost you what?

Mr. BRUSH. It cost us a guaranty .

The CHAIRMAN. How much was that?

Mr. BRUSH. The guaranty was the principal and the interest on $30,000,000 of 1¼ per cent cumulative preferred stock.

The CHAIRMAN. That you never have inventoried as a part of your capital?

Mr. BRUSH. No, sir; because it is problematical as to its worth. It never has had any earnings, never has paid any dividends, and we do not know when it will.

The CHAIRMAN. American Smelters' Security Company; what does that mean? What was the property of that company?

Mr. BRUSH. It purchased a number of properties in Mexico and in this country. It purchased the smelting works at San Francisco of the Selby Smelting and Lead Company, and the stock of the Tacoma Smelting Company at Tacoma, the stock of the Federal Lead Company, of St. Louis, and the stock of the Velardena Smelting Company, of Mexico, and all mining properties except the gold-mining properties of the Guggenheim Mining Company in this country, and also a certain amount of cash which, I think, was something like $5,500,000.

The CHAIRMAN. Were those companies competitors of yours before they were purchased?

Mr. BRUSH. In a very distant way. The mines were producers and not competitors. The only smelting plants purchased were those in San Francisco and Tacoma. They deal entirely with ores of the Pacific coast and do not compete with the ores on this side of the Rocky Mountain region, and vice versa. The business is very much by itself. The business of the Selby Smelting and Lead Company is only a minor degree in lead. It is mostly in precious metals. It has a gold product of $35,000,000.

Digitized by Google

The CHAIRMAN. Does this security company own all the stock of those various corporations?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. Then they own, of course, all the property?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. And your company owns the security company?

Mr. BRUSH. They only own $17,000,000 of common stock out of a total capitalization of $77,000,000.

The CHAIRMAN. They own that part of it?

Mr. BRUSH. That is all.

The CHAIRMAN. Who owns the rest?

Mr. BRUSH. It is owned all over the country and all over the world. It is very largely owned abroad in Amsterdam.

The CHAIRMAN. What dividends does that pay?

Mr. BRUSH. Five per cent cumulative.

The CHAIRMAN. Has that been true ever since the purchase?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. And those companies are being run, I suppose, and doing business, all of them?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. Are you able to state what the profits are in comparison with the amount of dividends paid?

Mr. BRUSH. The profits have been to this date just about equal to the dividends. There is a very slight surplus—less than $200,000.

The CHAIRMAN. Then you own an asset of $17,500,000 of stock which is paying a dividend of 5 per cent?

Mr. BRUSH. No; I beg your pardon. That is common stock, and never paid any dividend.

The CHAIRMAN. That is common stock, and never has paid any dividends?

Mr. BRUSH. No, sir.

The CHAIRMAN. The preferred stock pays dividends?

Mr. BRUSH. The only dividends paid have been on the preferred stock, which we do not own.

The CHAIRMAN. You do not own any preferred stock?

Mr. BRUSH. No, sir.

The CHAIRMAN. How much actual money has been put into the American Smelting and Refining Company since it was organized in 1899, by the stockholders? I mean, of course, outside of the earnings.

Mr. BRUSH. That I could not remember. My impression is that in connection with the acquirement of the Guggenheim properties in 1902 they turned over something like $5,000,000 in cash.

The CHAIRMAN. Five million dollars?

Mr. BRUSH. Yes. I do not know of any other cash being turned into the company since its organization except such as came from the earnings.

The CHAIRMAN. How much stock did you issue in payment for the Guggenheim interests?

Mr. BRUSH. Thirty-five million dollars.

The CHAIRMAN. Forty million dollars altogether?

Mr. BRUSH. No, sir; $35,000,000 altogether.

The CHAIRMAN. And $5,000,000 in cash?

Mr. BRUSH. That is the $35,000,000 paid for the $5,000,000 in cash and the property.

Digitized by Google

The CHAIRMAN. But you got $5,000,000 in cash in the bargain?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. But I mean what money you put into your company.

Mr. BRUSH. That came in in that way by the issuance of stock. I do not know of any other money coming in.

The CHAIRMAN. Was that common or preferred stock that they got?

Mr. BRUSH. Both; one-half of each.

The CHAIRMAN. Do you remember any other cash that has been put into this company?

Mr. BRUSH. I do not remember any other; no, sir.

The CHAIRMAN. The rest of it is in property?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. And property at a valuation?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. And the values put upon the property at the time of purchase equaled $100,000,000 of stock?

Mr. BRUSH. Yes, sir; that is, less the cash.

The CHAIRMAN. What is that?

Mr. BRUSH. Less the cash. The properties were equal to—well, I will put it the other way. The capital stock was equal to the property and the cash.

The CHAIRMAN. How much cash did you acquire with all these properties?

Mr. BRUSH. My recollection is $5,000,000 in each instance; at the organization $5,000,000, and at the Guggenheim acquirement $5,000,000.

The CHAIRMAN. That is all the cash you got?

Mr. BRUSH. That is my recollection. I am not sure about those points.

The CHAIRMAN. You have enlarged your various plants since then, have you not?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. To what extent—how many million dollars?

Mr. BRUSH. I could not remember. The annual reports show the amounts we have expended each year.

The CHAIRMAN. Can you give us some idea of what amount was put in in the way of improvements out of the earnings of the company since the organization in 1899?

Mr. BRUSH. It would be a very rough guess, a very rough guess. It might be another $5,000,000.

The CHAIRMAN. Not more than that?

Mr. BRUSH. I do not think so, sir.

The CHAIRMAN. Altogether?

Mr. BRUSH. That is my recollection at this moment.

The CHAIRMAN. You had in 1906 a surplus of $10,482,000?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. What is the surplus to-day?

Mr. BRUSH. About $14,000,000.

The CHAIRMAN. About how much?

Mr. BRUSH. About $14,000,000.

The CHAIRMAN. You have increased that about $4,000,000 in the last year?

Digitized by Google

Mr. BRUSH. No; in the last two years. It was in April, 1906, and that is about two and one-half years.

The CHAIRMAN. Are those annual reports made as of the 1st of January of the year in which they are made?

Mr. BRUSH. They are as of the 30th of April of each year.

The CHAIRMAN. Since the 1st of April, 1906, you have increased about $4,000,000?

Mr. BRUSH. Yes, sir; and that is about two and one-half years. Last year there was nothing added to the surplus.

The CHAIRMAN. Do you go ahead and fix the price at which you buy ore and do the other companies follow?

Mr. BRUSH. At which we buy ore?

The CHAIRMAN. Yes.

Mr. BRUSH. No, sir; I do not think there is any following about it. The price at which ore is bought is supposed to be a secret; that is, we buy usually on a sealed bid, or if it is not a sealed bid it is a negotiation with the seller in which we know nothing about what our competitors offer, except such as they may tell us.

The CHAIRMAN. Those facts about the organization of your company were thrashed out in a lawsuit, were they not, about the time you took on the Guggenheim property, when some of the stockholders tried to obtain an injunction?

Mr. BRUSH. The fact was that an injunction was asked for, which was not granted, I believe. Whether any facts were brought out at that time I do not know. There were a great many statements made which I think were very wide of the facts.

The CHAIRMAN. It would seem there was a temporary injunction, which was afterwards dissolved by the court.

Mr. BRUSH. Yes, sir.

The CHAIRMAN. And I have a statement that the facts appear in the affidavits that were filed at the time of the dissolution of the injunction——

Mr. BRUSH (interrupting). I doubt whether they were facts, sir.

The CHAIRMAN. What is that?

Mr. BRUSH. I doubt whether they were facts simply because they were stated in the affidavits, except as they were affidavits made by our company. Those, of course, were facts.

The CHAIRMAN. A temporary injunction was obtained by some disgruntled stockholder——

Mr. BRUSH. Yes, sir.

The CHAIRMAN. Who did not believe in the transfer?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. The management of the company did?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. And the management of the company introduced affidavits to get rid of the temporary injunction?

Mr. BRUSH. Those were correct.

The CHAIRMAN. You do not mean to say the managers of the company did not give the facts?

Mr. BRUSH. No, sir; those were correct, but they were affidavits made by the applicants, which I do not think contained facts.

The CHAIRMAN. Of course, an examination of those papers which the committee may go over some time, may show that?

Mr. BRUSH. I do not think the committee will know.

Digitized by Google

Mr. GAINES. The injunction was not sustained on those affidavits?

Mr. BRUSH. No, sir.

Mr. CLARK. The fellow that swore your way was all right and the fellow that swore the other way was all wrong?

Mr. GAINES. That is the way the court looked at it?

Mr. BRUSH. That is the way the court looked at it: yes, sir.

The CHAIRMAN. I understood you to say that you thought possibly there might be a reduction of the duty on refined ore of three-eighths of 1 cent.

Mr. BRUSH. I think I ought to say that I stated that because I have the feeling that the committee wants to reduce the tariff. Whether that is the case or not I do not know. I thought that there was a general talk through the papers that it was the proper thing to do. I thought under those circumstances that I would suggest what could be done in connection with the tariff that would be the least damaging.

The CHAIRMAN. I can answer for only one member of the committee. I thought in 1897 that this duty as proposed in the Senate amendment was altogether too high; that the 1 cent a pound that the House then offered in their bill was high enough. You seem to confirm that. Believing that, I believed also that the duty placed upon refined ore by the Senate was also too high. Now I am investigating to find out whether I was right then and whether the same conditions exist now. Of course, there is no concealment about what my feeling was then.

Mr. BRUSH. My object is——

The CHAIRMAN (interrupting). I am sitting in review and trying to ascertain the facts, without intimating whether it ought to go up or down. You suggested a reduction of three-eighths of a cent, which you thought would not destroy the industry——

Mr. BRUSH. On pig lead.

The CHAIRMAN. That you could still supply this market, so far as the American production was concerned, and would only have to call on the foreigner to produce enough to make up the deficit in the total amount that the people of the United States consumed?

Mr. BRUSH. And that will not be anything. It has not been anything for the last eight months.

The CHAIRMAN. Then, three-eighths of 1 cent would protect, according to your idea of protection, the American market?

Mr. BRUSH. I believe so; yes, sir.

The CHAIRMAN. And your idea of protection is a protection that gives the whole market to the Americans every time?

Mr. BRUSH. That is the tendency. That is what every business man wants. Every manufacturer wants to-day as much business as he can get.

The CHAIRMAN. And you, being a business man, believe in that principle?

Mr. BRUSH. Exactly. I want to do as much business as I can.

The CHAIRMAN. How much more than three-eighths of 1 cent could it be reduced to bring into equal competition the American and the foreign products?

Mr. BRUSH. Well, the crucial test is on the ore.

The CHAIRMAN. What is that?

Digitized by Google

Mr. BRUSH. The crucial test is with reference to the ore. I believe that a duty of 1½ cents is absolutely necessary to the welfare of our producers in this country. When you go beyond that you are not necessarily protecting the ore producer. You are protecting the manufacturer.

The CHAIRMAN. No; I do not agree with you on that. If there is a difference in the cost of the smelting and refining, and the protection on the lead in ore or crude material is ever so high, it is not protective unless it is sufficiently high to make up the difference in the cost of labor in producing the ore and smelting and refining both. In other words, if you put 10 cents a pound on lead in the ore and one-half cent a pound on the refined article, in the end you would have the refined article coming in here and cutting down the price of both the refined article and the crude ore. So I can not agree with you on that proposition.

Mr. BRUSH. There is no doubt about that. I was assuming it would not be less than the raw material.

The CHAIRMAN. You say three-eighths of 1 cent a pound. Would the three-eighths of 1 cent allow you to bring in your Mexican ore here and undersell the domestic article?

Mr. BRUSH. No, sir. The 1½ cents applies to that, does it not?

The CHAIRMAN. It does, so long as you control all smelting and refining.

Mr. BRUSH. That we do not do.

The CHAIRMAN. But if that slips away from you and somebody else comes in on it, the 1½ cents would not allow that.

Mr. BRUSH. No ore can be brought in without paying 1½ cents duty. Up to that point it is kept in the other country for smelting.

The CHAIRMAN. Did you find your figures that you were asked for this morning?

Mr. BRUSH. Yes, sir [handing paper to the chairman].

The CHAIRMAN. Those are the prices per hundred, are they not?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. I find that in 1900 the excess value of domestic product was 5 cents?

Mr. BRUSH. Yes, sir; 5 cents a hundred pounds.

The CHAIRMAN. And in 1901 it was $1.26 per hundred?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. In 1902 it was $1.27?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. In 1903, $1.37?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. In 1904 it was $1.34?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. In 1905 it was $1.34?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. In 1906 it was 51 cents?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. In 1907 it was 91 cents?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. Is this all refined?

Mr. BRUSH. Yes, sir; those are prices on refined lead averaged over the year.

Digitized by Google

The CHAIRMAN. The prices are fixed on European lead and domestic lead, both delivered at St. Louis?

Mr. BRUSH. Yes, sir; that is correct.

The CHAIRMAN. And the foreign lead delivered to St. Louis without the payment of the duty?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. Very well; I will put these figures in the record.

Mr. BRUSH. I would like to say, in reference to those, that they are averages. There are periods when the differences were more and there were periods during the years when the differences were less.

The CHAIRMAN. I noticed in your paper containing these figures you say the average for the year, and that is the reason I did not call particular attention to it.

Mr. BRUSH. I think there are two things you will observe from that. One is that the average price of American lead is nothing like the difference that could be made by the amount of the duty. It is nothing like the duty.

The CHAIRMAN. The duty is not added to the price to the full extent of 2⅛ cents a pound?

Mr. BRUSH. Very far from it.

The CHAIRMAN. Yes; very far from it.

Mr. BRUSH. Nevertheless, I want to make this point also: That if the duty had been less there would have been periods when the foreign market was glutted, and when our prices would stand it or our market would stand it they would have flooded this country with lead and it would have been here and it would have displaced the American production through the year just to that extent. So that although the average rate is nothing like the duty over and above the foreign price, yet the duty is needed to keep the importations out at certain periods.

The CHAIRMAN. The highest difference in price, if I remember correctly, was $1.27 for any one year.

Mr. BRUSH. One dollar and thirty-seven cents.

The CHAIRMAN. In what year was that?

Mr. BRUSH. In the year 1903 it was $1.37.

The CHAIRMAN. And the duty was 2⅛ cents?

Mr. BRUSH. Yes, sir.

The CHAIRMAN. That is $2.125 per hundred pounds?

Mr. BRUSH. Yes, sir.

Mr. CLARK. Mr. Brush, what part of the entire American product do you control?

Mr. BRUSH. About 50 per cent.

Mr. CLARK. No more than that?

Mr. BRUSH. I believe not, sir.

Mr. CLARK. That practically controls the whole thing, does it not?

Mr. BRUSH. It does to this extent, that usually the price of other sellers will conform to the price that we take, for the reason that we are trying to get business, and if we do not get business at one price we put the price where we can get business.

Mr. CLARK. Does this 50 per cent include the output of your subsidiary or co-related companies?

Mr. BRUSH. Yes, I believe it does, because they are very slight indeed.

Digitized by Google

Mr. CLARK. The truth about the thing is that you control so much of it that you are absolute masters of the situation, and if these smaller men undertake to get business by underselling you you can undersell them so much you set them afoot?

Mr. BRUSH. No, sir; they are masters of the situation to this extent, that it makes no difference what our price is, if they have a surplus over what they can sell at our price, they cut our price and sell it; it makes no difference what our price is; and they constantly do it.

Mr. CLARK. There are only two steps in this lead business after you get the ore—smelting and refining. That is true, is it not?

Mr. BRUSH. Yes, sir; the various processes in connection with smelting and refining.

Mr. CLARK. Is that all done in one place?

Mr. BRUSH. No, sir; it is done in two places.

Mr. CLARK. You stated this morning in answer to questions asked, that you practically fixed the price of lead. I want to ask you again——

Mr. BRUSH (interrupting). That might be misinterpreted.

Mr. CLARK. It might be what?

Mr. BRUSH. It might be misinterpreted, I think.

Mr. CLARK. Do you want to make an explanation?

Mr. BRUSH. I did make an explanation just now. One-half of that lead is sold by other people, and they always sell their lead. If they can sell it at our price they will do so. If they can not sell it at our price—if there is a surplus so that naturally the laws of supply and demand bring about a lower price—they immediately cut our price and sell it, whatever that price may be.

Mr. CLARK. Do you not have the situation so thoroughly in hand that the law of supply and demand has nothing to do with it?

Mr. BRUSH. No, sir; that is not so. The price of pig lead is absolutely governed by supply and demand.

Mr. CLARK. I asked that a moment ago for the purpose of asking another question. Is it not true that you fix the price at the other end of that operation by fixing the price of the ore to the miner himself?

Mr. BRUSH. No; the outcome of the miner depends on the amount charged him for the process of smelting and refining. That, as I have stated, is a matter open to very sharp competition at all points.

Mr. CLARK. How much does it cost to buy a smelter?

Mr. BRUSH. That I do not know. We have just completed—that is, the Securities Company has just completed—not completed either, but almost completed—a smelter near Salt Lake City, on which has been expended over $6,000,000, and it is not completed yet.

Mr. CLARK. How much does it cost the refinery to use up the product of that smelter, or does one refinery use up the product of a great many smelters?

Mr. BRUSH. It ought to have more than one smelter supply.

Mr. CLARK. It resolves itself finally to the fact that a man might discover the richest mine in the world and not be able to deal with anybody as to the ore except you and these other fellows that have smelters and refineries now, because he would not have money enough to build a smelter and refinery?

Digitized by Google

Mr. BRUSH. No, sir; all you have to do is to show you have a profitable transaction and there is no trouble in getting the money. The largest mine in the Coeur d'Alene is owned by very prominent capitalists in New York City and San Francisco, and a smelting plant of $10,000,000 would not trouble them at all.

Mr. CLARK. I will ask you a question about that. Did they not gobble up that mining property simply because the owners of it did not have money enough to work it advantageously?

Mr. BRUSH. No, I think not. I am not acquainted with the way these people became interested in the property, but my understanding people became interested in the property, but my understanding is is that the original people are still interested, and that they simply have brought in other capital from time to time as they needed to develop their mines and build their concentrators and carry on their work, which is a very large one.

Mr. CLARK. This Mexican ore that you bring in for your uses concentrates, I understand?

Mr. BRUSH. Yes, sir.

Mr. CLARK. Do you bring that in and smelt it and refine it for the foreign trade entirely?

Mr. BRUSH. Absolutely. It is all done in bond.

Mr. CLARK. That Mexican ore which you bring in is never precipitated into the American market?

Mr. BRUSH. I would not say never. It has not been in the last eighteen months.

Mr. CLARK. You bring your ore from Mexico by water, except that one hundred and twenty-odd miles from Monterey?

Mr. BRUSH. No, sir. The principal amount of ore brought in from Mexico is brought in at El Paso, Tex., and smelted there.

Mr. CLARK. Is it shipped out again?

Mr. BRUSH. Part of the bullion is shipped to Chicago and refined there in bond and then is shipped in bond from Chicago to New York or Baltimore or Boston and exported from those ports.

Mr. CLARK. Why do they bring it into the United States to treat?

Mr. BRUSH. Simply because there happens to be a smelter there. If that smelter was not there, we would not be able to smelt that.

Mr. CLARK. If it is so easy to build a smelter and refinery, why does not some one build one down in Mexico?

Mr. BRUSH. I could not tell you why other people do not do it. I know why we do not do it. We have our works already built here. We would have to sacrifice that value, which is a very large one, and we can not use it jointly with some domestic business, and if we only had the domestic business it would be running on a small scale; and any works running on a small scale runs at a very greatly increased cost. That is the reason that prevents us from closing up the foreign business in this country and going to Mexico.

Mr. CLARK. Is there a refinery at El Paso, as well as a smelter?

Mr. BRUSH. No, sir.

Mr. CLARK. How far is it from El Paso to water transportation?

Mr. BRUSH. It goes to Chicago to be refined.

Mr. CLARK. Suppose they did have a refinery at El Paso, how far is it from El Paso to navigable water?

Mr. BRUSH. It could be shipped from New Orleans.

Mr. CLARK. Do they not strike the Gulf closer than that?

Digitized by Google

Mr. BRUSH. There is no transportation from the Gulf that will carry the lead as it must be shipped, and to the ports to which it must be shipped. At one time, before the organization of the American Smelting and Refining Company, there was a refinery at Kansas City, and I sold the product of that refinery, and I tried very hard to ship from Kansas City by the Gulf, at a time when they needed pig lead for ballast for the steamers going out from the Gulf, and I found it impossible on account of the irregularity of the running of the steamers and the fact that the steamers would not run to ports where I had to sell the lead.

Mr. CLARK. Is it not a fact that Americans run about everything worth having in Mexico?

Mr. BRUSH. This refinery I spoke of is owned entirely by Mexicans. There are very large interests in Mexico represented by Spaniards and Frenchmen and Germans. The German influence in Mexico is increasing.

Mr. CLARK. What I am trying to get at is this: Every time we get a man in here who testifies about the cost of something in this country somebody comes in and says it can be done so much cheaper in Mexico, and this has caused me to wonder why somebody does not start a smelter and refinery in Mexico and save this long journey from Mexico to El Paso and from El Paso to New York.

Mr. BRUSH. There are a great many strange things about the smelting and refining business. I would like to say to you that at one time the American Smelting and Refining Company had a lease on a smelter and mine in Peru. It was a very profitable mine. It was principally a silver mine, but it had some lead. We were very much in need of that particular class of ore in Colorado. The smelter was closed and never was run since, and that ore was shipped by rail across Chile and by steamer from Chilean ports around the Horn into the Gulf of Mexico, landed at Galveston, and went by rail from Galveston to Denver, was smelted at Denver, and the bullion was refined in Omaha, and the silver shipped from Omaha to New York, from New York to London, and from London to India before it was consumed. It paid better to smelt it there with all that transportation than it did to smelt it in South America.

Mr. CLARK. Is not the real reason you keep out of Mexico because of the conditions with reference to safety of life and property down there?

Mr. BRUSH. We never have had any thought of jeopardy of that sort. A great many of the laws of Mexico are as good as the laws in this country, and we never have had the least trouble from any riot or danger of that sort.

Mr. BONYNGE. Are you familiar with the prices of lead and the production of lead from the years 1894 to 1897?

Mr. BRUSH. You mean for the entire country?

Mr. BONYNGE. Yes.

Mr. BRUSH. I believe I have them; yes.

Mr. BONYNGE. Or for any section of those years?

Mr. BRUSH. 1904, for the entire——

Mr. BONYNGE. From 1894 to 1897, I said, when the duty was three-quarters of one cent a pound on lead. Do you know anything about the production of lead in the United States at that time?

Mr. BRUSH. I think it would be a fair guess that it was not more than one-half what it is now.

Digitized by Google

Mr. BONYNGE. You have not any figures here?

Mr. BRUSH. I have no figures here, no, sir; but they can be obtained very readily from the Geological Survey.

Mr. BONYNGE. Do you know what the average price in those years was from 1894 to 1897 in the United States?

Mr. BRUSH. It went as low as $2.40 to Chicago.

The CHAIRMAN. It went how low?

Mr. BRUSH. Two dollars and forty cents, Chicago.

Mr. BONYNGE. Two dollars and forty cents, Chicago?

Mr. BRUSH. Yes, sir. I remember a large transaction took place at $2.40, Chicago. I remember also the fact that lead was carried in New York at 2 cents by bankers.

Mr. BONYNGE. Were you in the same business then that you are engaged in now?

Mr BRUSH. Yes, sir.

Mr. BONYNGE. What was the effect of that price upon the lead-mining industry in the United States during those years?

Mr. BRUSH. It had no doubt a very discouraging effect.

Mr. BONYNGE. Did it have the effect of closing down mines that could not do work with a profit?

Mr. BRUSH. I do not want to say that, because I have no detailed information; but it must have done so, because the product was very much curtailed.

Mr. BONYNGE. What has been the highest price of lead from 1897, the year the Dingley bill was passed, until the present time?

Mr. BRUSH. Six cents, New York.

Mr. BONYNGE. When was that?

Mr. BRUSH. In the fall of 1906, if I remember rightly.

Mr. BONYNGE. What was the production of lead in the United States at that time? Can you tell me that?

Mr. BRUSH. The year 1906 the production of lead was 350,000 pounds.

Mr. BONYNGE. How much is it now?

Mr. BRUSH. It was also reported for the year 1907 as 350,000 pounds.

Mr. BONYNGE. What is it now?

Mr. BRUSH. In the spring of this year it was at the rate of just about one-half that. Our receipts of lead were cut off when lead went below 4 cents; cut off by about one-half.

Mr. BONYNGE. By about one-half?

Mr. BRUSH. Yes.

Mr. BONYNGE. Due to the lack of supply of the United States or to the fact that the mines could not be operated at a profit at the price at which lead was selling that spring?

Mr. BRUSH. They could not be operated at a profit at those prices.

Mr. BONYNGE. So when the price goes down to a point at which American miners can not produce the lead at a profit, the result is they simply close the mines?

Mr. BRUSH. Yes, sir; naturally they have to.

Mr. BONYNGE. And at what price do you say lead has to stand in order to get the best production of lead in the United States?

Mr. BRUSH. I know that many of the large producing mines intimated last year to us that if we would not pay them 4 cents for their lead they could not afford to produce it. They could not make any

Digitized by Google

money, but would lose money, at 4 cents, and they proved it by closing down. It is a very serious matter for a mine to close down. They have to keep up their pumping and timbering, and all their general expenses keep up. Those expenses all go on with no income, and the mine does everything before it will close.

Mr. BONYNGE. Is it a fact that the cost of production of lead in the different mines varies at each separate mine?

Mr. BRUSH. Absolutely.

Mr. BONYNGE. And according, also, to the price of lead the relative cost of production also varies with the price of lead, which varies every day of the year, does it not?

Mr. BRUSH. It varies every day, and it varies with silver also.

Mr. BONYNGE. The cost of the production depends on the amount of lead in the ore and also the amount of silver that may be in connection with that lead ore?

Mr. BRUSH. Yes, sir; that is it, and the price.

Mr. BONYNGE. If the price of lead gets below 4 cents then, it is not a diminution in the profit to the lead producer, but they simply have to close their mines? Is that a fact?

Mr. BRUSH. Yes, sir; that is a fact.

Mr. BONYNGE. If the duty of 1½ cents were to be reduced to 1 cent a pound, what, in your judgment, would be the effect upon the production of lead in the United States?

Mr. BRUSH. I do not see how it would be possible to hold the price of lead at 4 cents under those circumstances, and at 4 cents we have agreed that the production would be seriously curtailed.

Mr. BONYNGE. The tendency to increase the production would be to lower the price, would it not?

Mr. BRUSH. Yes, sir; it has repeatedly done so. It has always done so.

Mr. BONYNGE. So if the duty were high enough to encourage the production of all the lead that could be produced in the United States we might get to the point where we would have more lead produced than there would be demand for, which would necessarily tend to a reduction of the price of lead?

Mr. BRUSH. It does so happen. It is not made by the duty more than one-sixth of the time. The rest of the time the price of lead is made by supply and demand. During that one-sixth of the time, which may be one-fourth of the time, a tremendous amount of lead could be flooded into this country, and would be here, and simply displace the production of domestic lead.

Mr. BONYNGE. If the price is not high enough to encourage the mining of lead in the United States, what is the effect upon the price of lead to the consumer?

Mr. BRUSH. I do not believe I understand your question.

Mr. BONYNGE. If the duty is not high enough on lead in ore to encourage lead mining in the United States, what would be the effect upon the price of lead to the consumer in the United States? Would it not result in less lead being produced in the United States, for one thing?

Mr. BRUSH. Certainly; there is no doubt about that.

Mr. BONYNGE. Would not that tend to increase the price or increase the importation of lead from foreign countries?

Digitized by Google

Mr. BRUSH. It would result in importations from foreign countries.

Mr. BONYNGE. And a closing down of the mines that could not be worked at that price?

Mr. BRUSH. Certainly. Every reduction, in my opinion, below 1½ cents duty will result in increasing importations and decreased production in this country without regard to consumption in this country.

Mr. BONYNGE. How much of the smelting company business is the lead business? What percentage of your business is lead?

Mr. BRUSH. Out of a total value of our products of $90,000,000 the pig-lead product is something less than $20,000,000.

Mr. BONYNGE. About two-ninths?

Mr. BRUSH. About that; yes, sir.

Mr. BONYNGE. What does the other business consist of?

Mr. BRUSH. Gold and silver and copper.

Mr. BONYNGE. So these dividends you have been paying on stock, about which the chairman inquired of you, did not all come from your lead business?

Mr. BRUSH. A very small proportion, if you make a proper statement of affairs, I think.

Mr. BONYNGE. A very small proportion of it came from lead?

Mr. BRUSH. I think so.

Mr. HILL. You said this morning that the average cost of lead here was 31 cents a hundred in the United States.

Mr. BRUSH. I think you must have misunderstood me.

Mr. HILL. What was it you said was 31 cents a hundred, or $6.20 a ton?

Mr. BRUSH. I gave the total figure of the cost of producing 100 tons of lead from a certain mine in the Coeur d'Alene district, giving every expense, and 31 cents was the profit to the mine.

Mr. HILL. Profit to the mine?

Mr. BRUSH. Yes, sir.

Mr. HILL. Is there any average cost of the lead in the ore—that is the way you buy it?

Mr. BRUSH. No; we do not. We buy the ore. We pay for all the metals in the ore—whatever they are—the full market price.

Mr. HILL. You base your price on what your estimate of the contents is?

Mr. BRUSH. We make a working charge which is entirely dependent upon all the contents of the ore.

Mr. HILL. You assume and buy the Mexican ores on the same basis as that on which you buy in the United States?

Mr. BRUSH. Except as to the price of metals.

Mr. HILL. Except as to the price of metals?

Mr. BRUSH. Yes.

Mr. HILL. You take that ore not only from your mine in Mexico, but what you buy in the market, and you ship it to New York?

Mr. BRUSH. Yes, sir.

Mr. HILL. You there refine it?

Mr. BRUSH. Yes, sir.

Mr. HILL. And then you export it?

Mr. BRUSH. Yes, sir.

Mr. HILL. And with that product you compete in competitive markets in Europe?

Digitized by Google

Mr. BRUSH. Yes, sir.

Mr. HILL. With what countries?

Mr. BRUSH. The other producers of lead are Spain, Germany, and England, so far as smelting is concerned. So far as the actual producer from the mines, Australia is a very large producer, but their ore is sent almost entirely to Europe to be smelted and refined.

Mr. HILL. The lead you produce from Mexico competes with those mines?

Mr. BRUSH. Yes, sir.

Mr. HILL. One of the things which I have not been able to get clear in my mind this morning is if you can smelt and refine the Mexican ore here in bond and sell it in competition with the other countries that have no duty in Europe, why you should need a protection on smelting and refining here in the United States against those other countries?

Mr. BRUSH. We need protection against Mexico. We do not need any protection against Europe.

Mr. HILL. You do not need any protection against Europe?

Mr. BRUSH. No, sir. The result of that was when the Dingley tariff was put in no protection was asked.

Mr. HILL. They can not smelt and refine in Europe any of their ores and put them in here in competition with your ores, except from Mexico?

Mr. BRUSH. That is correct.

Mr. HILL. That is what I did not understand, and I am glad to have that statement.

Mr. BRUSH. I am glad to give it to you.

Mr. HILL. You say there is no comparative cost of lead ore or lead in ore in the United States that can be made in Mexico—no general average cost?

Mr. BRUSH. I do not see how there can be. The ores are so radically different I do not see how there can be. In the first place, the ores of Mexico carry a large amount of silver, and the way we are getting at the cost of lead ore is taking the silver and deducting that from the cost of the ore, and that shows the cost of lead, which is not a proper way to do, but nevertheless it does come to that, that the mine can produce that lead and does do it, which is a very small amount comparatively.

Mr. HILL. You have explained we are in competition in this matter with nobody but Mexico?

Mr. BRUSH. I might say right there—this gives something of an idea of what they think in British Columbia as to the value of lead. They there have put a bounty on lead producing, so that to every lead producer in Canada, if the London market does not pay him £18—it is now £13—the government pays the difference.

Mr. HILL. Would not that be a very profitable transaction for us rather than having the duty as it is?

Mr. BRUSH. I do not know, I am sure. I have never studied it out. It strikes me as being rather an uneconomical proposition.

Mr. HILL. Were you present last week when Mr. Allen, of Utah, was testifying?

Mr. BRUSH. No, sir.

Mr. HILL. There is one fact there which I think, in justice to your own company, ought to be explained, and if it is wrong it ought

Digitized by Google

not to continue in the record as it is. He stated that they were compelled in Utah to pay $8 a ton on ore for smelting; that that ton of ore averaged and produced 164 pounds of lead?

Mr. BRUSH. Yes.

Mr. HILL. Figuring the lead at 4.3 a pound, I asked this question, If there are only 164 pounds of lead in a ton of ore, and they pay $8 a ton for the ore, it would make 12½ times $8, or $100 for smelting a ton of lead, which, at 4.3 a pound, would amount to $96.32, and the smelter would take all the lead and part of the silver and part of the gold. Now, is that true?

Mr. BRUSH. It does not look like an economical possibility on the face of it, does it, Mr. Hill?

Mr. HILL. Mr. Allen answered, "I understood your question," and I said, "Is that all right?" He said, "That is right." I then said, "A smelter does not need any protection, does it?" Mr. Allen replied, "That is the reason we do not want the tariff removed. That would protect the smelter." I replied, "I think it is protecting him rather well now, if he takes all the lead there is and a part of the silver and a part of the gold for the process of smelting." Mr. Allen replied, "That is old." "What is that?" said I, and he replied, "That is old; I have known that for years."

Now, Mr. Brush, is that true?

Mr. BRUSH. How can it be true, Mr. Hill? How can it be possible that a man could——

Mr. HILL (interrupting). It would not be possible if the statement that the miner only got about $3 a ton out of it were true. I think, in justice to your company——

Mr. RANDELL (interrupting). Let him answer your question instead of answering it for him.

Mr. BRUSH. I think Mr. Allen stated some particular mines there, did he not, in his testimony?

Mr. HILL. I understood him to refer to the mines of Utah.

Mr. BRUSH. He was asked what the mines of Utah were, and I think he was also asked as to what he knew about it from his own knowledge as to his own mines. It turned out that he was manager of five mines, and that four of them were mines that did not produce any lead at all, and the fifth one was only a prospect; so I do not think it proved that Mr. Allen knew anything about the question.

The CHAIRMAN. Mr. Allen was not talking about his own mines when he answered that question. He was talking about mines generally.

Mr. BRUSH. He was asked with reference to the mines in Utah, and he mentioned the Silver King as one of the mines. That is the reason I mentioned the Silver King this morning. I want to state that the Silver King mine does not ship to us 8 per cent ore, but they ship to us ore that runs 48 per cent of lead. The only way I can explain, if you would like to hear it, as to Mr. Allen's testimony, is that I think he must have taken from statistics the amount of lead produced in the State of Utah and then divided it by the number of tons that were produced, and so arrived at 8 per cent. I told you this morning that those mines that produce an 8 per cent ore concentrate it into concentrates before they ship to us. It comes to us at 45 or 50 per cent lead, on which we make our charge. The mine makes a serious loss in the

Digitized by Google

concentration, but it does not equal the loss they would make in shipping. It would be impracticable to smelt such an ore.

Mr. HILL. Of course he was speaking of 8 per cent ore, because he said the 160 pounds of lead came from a ton of ore.

Mr. BRUSH. Yes.

Mr. HILL. And with reference specifically to 8 per cent ore he made this statement in answer to my question, that he gave them $100, which covered all of the lead in the 8 per cent ore, and part of the silver or gold which they got as by-products to pay for the smelting, and then subsequently, if I am not mistaken, he said they got better and also lower figures at El Paso.

Mr. BRUSH. Yes?

Mr. HILL. It seems absolutely marvelous to me that that is the situation.

Mr. BRUSH. It is not the situation. That is the reason why I endeavored to give you figures this morning in my testimony with reference to the 8 per cent lead ore as to what actually took place, where the cost came in, and who would pay it, and who would receive the profits. If you have not got it clearly in your mind, which I think is not the case, because it is a very complicated problem, I shall be very glad to put these figures in writing before the committee so you will have them in written form and can study them at your leisure.

Mr. HILL. I would like to have them in that form.

Mr. BONYNGE. Is that on 8 per cent ore from Utah?

Mr. BRUSH. I could not get the mine's figures from such a mine as the Silver King. They would not give me their figures, but this is an 8 per cent Coeur d'Alene ore of the same character as the Silver King ore, and I have every reason to believe that it is a fair figure.

Mr. CLARK. Mr. Bonynge asked you about this being necessary to keep these tariffs on lead, and you answered that five-sixths of the time you did not sell up to the limit that the tariff would allow?

Mr. BRUSH. Yes, sir.

Mr. CLARK. If we put the duty lower, somebody would flood the United States with lead?

Mr. BRUSH. Yes, sir.

Mr. CLARK. Who keeps a stock of lead on hand to flood this country in that way?

Mr. BRUSH. The production of lead in Europe, I think, amounts to about 350,000 tons a year, and they are constant sellers; you can buy spot or thirty-day shipments or fifteen-day shipments in thousand-ton lots without any trouble at all at any time.

Mr. CLARK. You do not know how much the European production of lead is?

Mr. BUSH. Finally, it comes to this, that the price controls the production and makes the production no more than the consumption, which is the case also in the United States.

Mr. CLARK. You have given us the figures for 1894 and you said $2.40 in Chicago?

Mr. BRUSH. I do not know whether that was in 1894 or whether it was in 1895 or 1896. That was the lowest it went during those years.

Mr. CLARK. A man taking a ton of lead to Chicago or selling a ton of lead in Chicago at $2.40 that year could have turned around and bought as much stuff with it as he could with but $6 now, could he not?

Digitized by Google

Mr. BRUSH. I do not know as to that.

Mr. CLARK. What you really want is a prohibitive tariff?

Mr. BRUSH. A tariff that will allow the present lead miners of this country to go on producing their lead. I do not want their industry ruined.

Mr. CLARK. If you had carte blanche with reference to the tariff schedule on lead and you thought it would not be too much criticized, would you not just put right into it the provision that no foreign lead shall be imported into the United States for domestic consumption? Would you not just as soon do that as to juggle with these tariff rates? Is not that really your desire in the premises?

Mr. BRUSH. I should not want to say that. I never thought of the problem along those lines. I only thought of it along business lines of production and consumption.

Mr. CLARK. You have not studied anything about how this committee and the other Congressmen it represents here are to dig up money enough to make up this deficiency in the revenues over here, have you?

Mr. BRUSH. No, sir; I have not.

Mr. CLARK. The net result of this whole thing as it stands is that you get your lead for foreign markets tariff free—practically free?

Mr. BRUSH. Yes, sir.

Mr. CLARK. And then, behind this tariff law, you absolutely dominate the price for the domestic consumer?

Mr. BRUSH. No; we do not dominate the price. The price is made absolutely by production and consumption. If the production exceeds the consumption, the price goes down, and goes down very rapidly at times. On the other hand, if the consumption exceeds the production, the price advances until it is brought out.

Mr. CLARK. Has not the demand for lead in the United States since the years Mr. Bonynge was talking about, when it was the lowest, whatever years they were, increased out of all proportion to the population?

Mr. BRUSH. I do not know. I should not suppose it had; but I really have not given thought to that problem.

Mr. CLARK. There are so many different things being done now with lead and copper that no man dreamed of then.

Mr. BRUSH. That is the case with copper, but not so with lead. Lead has not received the same impetus that all other metals have.

Mr. CLARK. He seemed to be inquiring and you answering for the purpose of establishing the fact that somehow or some way Congress ought to enable you to hold the price of lead up to 4 cents at least.

Mr. BRUSH. I think it would be ruinous to the industry of lead mining to make it less.

Mr. CLARK. Why should lead be held up to 4 cents any more than every other product an American can get out? What I want to know is why any sensible man should come before this committee and think that Congress should undertake to turn the United States into an insurance company, so far as lead is concerned, to guarantee a profit to anybody—lead men, iron men, corn men, horse men, or any other sort of men?

Mr. BRUSH. That would be a long discussion on the subject of protection and free trade. I am not competent to carry it on.

Digitized by Google

Mr. BONYNGE. If you get below 4 cents, they can ship in the lead from Mexico where the labor is about one-eighth of what it is in the United States?

Mr. CLARK. Oh, no; don't misstate it in that way.

Mr. BONYNGE. I am not misstating it, am I?

Mr. BRUSH. Peon labor is 5 cents an hour in Mexico.

Mr. BONYNGE. What is it in the Rocky Mountains?

Mr. BRUSH. Forty-five cents.

Mr. BONYNGE. One-ninth—I will say where the labor is one-ninth of what it costs in lead-mining regions in the United States; is not that a fact?

Mr. BRUSH. Yes, sir.

Mr. CLARK. The lead mining business in Colorado is carried on under exceedingly unfavorable conditions compared with lead mining in Coeur d'Alene and those places, is it not?

Mr. BRUSH. The production of Colorado has been cut off at these prices. They can not produce at these prices.

Mr. CLARK. The production in Colorado has been cut off because the Colorado mines do not produce the same grade of ore that Coeur d'Alene does?

Mr. BRUSH. No, sir; the lead is there, but it can not be brought out at these prices.

Mr. BONYNGE. When lead was 6 cents—what year was that?

Mr. BRUSH. The latter part of 1906.

Mr. BONYNGE. What was the production of lead ore in Colorado in that year, do you know?

Mr. BRUSH. I do not know, but it was a great deal more than it is this year; I do not know exactly how much more, but I should think 25 per cent more.

Mr. BONYNGE. Twenty-five per cent more?

Mr. BRUSH. That would be my guess.

Mr. CLARK. Where is lead produced in the United States under most favorable conditions as to cost?

Mr. BRUSH. I believe Doctor Ingalls, editor of the Engineering and Mining Journal, who is a very scientific man and not a business man, has made a very exhaustive study of that very proposition, and my recollection is that he has placed the cost of producing lead in Missouri at something over 3½ cents—3¾ cents, if I remember rightly. That is without making any charge for amortization or making any charge for selling or any risks for selling, and he places the cost in Coeur d'Alene at about the same figure, after deducting all that they get from their silver. He puts those two regions, which are the largest regions in the matter of production, on about the same basis. Then he goes on to say that he believes that the average cost in the United States is 4 cents. That is a treatise written by Doctor Ingalls and published, I think, a year ago or something like that.

Mr. CLARK. The Missouri lead mines are the richest in the world that are not mixed up with silver or gold, are they not?

Mr. BRUSH. I do not think so. I think the lead production of Spain is of a very similar nature. So I have understood. The Missouri lead production is of a very different nature. Around the Joplin district they dig it out of small pockets—and also around Galena—that run about 40 per cent. This is done on a very small scale. No corporation can go in and take hold of it there. Where the large

Digitized by Google

corporations have gone in and brought about a large production of lead, the lead is disseminated in stratas down 300 feet deep and runs all the way from 2 to 6 per cent lead, which is not a very high percentage.

Mr. CLARK. Some of that Joplin lead runs as high as 98 per cent.

Mr. BRUSH. That may be. You can pick it out in chunks that may run that.

Mr. CLARK. That is what I mean.

Mr. BRUSH. That is simply solid lead, but you can only get a very small quantity of that.

Mr. CLARK. You say the big corporations do not go down there and get that lead. The difference in the two fields, as I understand, is that in the Joplin district the lead is distributed around so that an individual or a small company can go down there and work it, while in the Platte River district—I know about that, but I do not know about the Couer d'Alene district—I suppose in the Couer d'Alene district the situation is such that it takes a very large amount of money to get into the business profitably?

Mr. BRUSH. Yes, sir; that is true.

Mr. CLARK. Whereas the man with the drill and small apparatus can go to Joplin, and if he strikes it right, he is all right.

Mr. BRUSH. Yes, sir; to a limited extent. The production there is quite small comparatively.

Mr. HILL. Why should copper come in free and lead under a duty?

Mr. BRUSH. Because the copper production of the country is about twice as much as is consumed in the country. No protection is needed for copper, because the production of copper in this country is twice as much as we consume.

Mr. HILL. That does not answer my question. The difference in cost of production is just as great, so far as the difference in the wages of American labor is concerned, as compared with other countries. Why does not the rule apply in that case, if it costs us more to produce? Is it simply because we have a superabundant supply? Why should not the rule apply in that case as it does in the case of lead?

Mr. BRUSH. Everything depends upon the ore of the special properties. Why not apply that to gold? There are gold properties that are producing gold for $5 an ounce or less, and the United States continues to pay $20.67 for every ounce of gold that can be produced.

Mr. HILL. You have asked a question which I have asked. Why apply it to lead and not apply it to gold and silver and copper, which are all free?

Mr. BRUSH. I say the lead production needs stimulation; the copper production does not need it. We have got it here, and they can afford to produce it for the price they get, and produce it in enormous quantities—a great deal more than the country needs. They get all the way from 14.50 to 26 cents a pound for their copper, and the copper-mining industry is a very profitable industry. It does not need encouragement or protection or anything else. The lead-mining industry is not in that position at all.

Mr. HILL. It does cost more to mine, to the extent of the difference in wages in copper, the same as in other things——

Mr. BRUSH. That simply means that the man who has got hold of a foreign mine, as I know of in the case of some men who have hold

Digitized by Google

of mines in Chile; they say they can produce copper for 6 cents a pound, and are going to make a lot of money; that is all.

Mr. CLARK. They are not going to make it shipping copper to the United States, are they?

Mr. BRUSH. No; because the United States produces twice as much as it consumes.

Mr. CLARK. I know; but to carry out Mr. Hill's idea now, if it costs more to make copper in the United States, and they have this low-price labor the same as in the case of lead, what is the reason the Chileans can not come in here with that cheap copper and run the men who are producing copper here out of the copper business?

Mr. BRUSH. It does not make any difference where he sells his copper, because the copper price is the same in this country as anywhere else, and if he sells it here the American producer will sell it somewhere else.

Mr. CLARK. There is a world trust in copper, then?

Mr. BRUSH. There is no world trust.

Mr. CLARK. How do they manage to keep the price up at the same figure, then?

Mr. BRUSH. Because the demand warrants it.

Mr. CLARK. There is one fact that I would like to refer to. The price of gold is about the only article in the world that is fixed by act of Parliament.

Mr. BRUSH. Yes.

Mr. CLARK. It does not make any difference what is done in that, the price remains the same by act of Parliament.

The CHAIRMAN. What does it cost your company on the average to mine a ton of lead ore in Mexico—what does it cost in labor at the mouth of the mine?

Mr. BRUSH. I have not those figures with me at all, and I do not remember them.

The CHAIRMAN. Can you get them and send them to me?

Mr. BRUSH. I can. I will be glad to get them and send them to you.

The CHAIRMAN. I wish you would make a memorandum of that.

Mr. BRUSH. I have made a memorandum of that.

The CHAIRMAN. I want the labor cost to bring the ore to the mouth of the mine in Mexico.

I notice in your table of prices here you fix the meeting point at St. Louis. What is the freight rate from New York to St. Louis on the refined lead ore?

Mr. BRUSH. I believe it is 15½ cents.

The CHAIRMAN. Fifteen and one-half cents a hundred?

Mr. BRUSH. A hundred pounds; yes, sir.

The CHAIRMAN. And is it the same or greater from St. Louis to New York?

Mr. BRUSH. I believe it is the same. So far as I know, it is the same each way. I am sure it is 15½ cents from St. Louis to New York; I am not sure that it is the same price the other way, but I believe it is.

The CHAIRMAN. Probably it is no more from New York to St. Louis than it is from St. Louis to New York, because I understand there is a greater movement of empty freight cars going west than going east at certain seasons of the year.

Digitized by Google

Mr. RANDELL. Let me see if I remember correctly what you have testified to. I believe you said that you give the miner 2 cents a pound for the lead that is in the ore at the mines?

Mr. BRUSH. That is in Mexico, with the present price in London of £13——

Mr. RANDELL. What is the price you pay the miner here?

Mr. BRUSH. Perhaps I should make that clear in your mind. When I say 2 cents, I mean that at the present London price of £13 it figures out a net price for the lead at the mine to the Mexican miner of 2 cents.

Mr. RANDELL. What is the price to the American miner?

Mr. BRUSH. The price to the American miner is whatever the New York price is. At the present time it is 4.30.

Mr. RANDELL. That would be the amount to the American miner?

Mr. BRUSH. That is what he is paid.

Mr. RANDELL. And is that a price that is controlled by you? You say you practically control the prices?

Mr. BRUSH. I do not think that is correct to say that, sir. It is absolutely impossible for us to make a price that varies from the price that is an equilibrium between the supply and demand. That, I say, is something that is impossible for the American Refining and Smelting Company or anybody else in this country to do.

Mr. RANDELL. I was trying to understand your position in regard to it. You say you can fix the price except when there is overproduction?

Mr. BRUSH. The only way we fix it is we guess right. If we guess the equilibrium, it stays there.

Mr. RANDELL. I understood you to say you could control the price except when the production was greater than the demand. Is not that practically correct?

Mr. BRUSH. It comes to that, you know.

Mr. RANDELL. Is that about correct?

Mr. BRUSH. No; I don't think it is correct. I do not like the word control, because I do not think it is a fact.

Mr. RANDELL. You said something of the kind, either fix it, or control it, or regulate it.

Mr. BRUSH. No; I think those words were put into my mouth, perhaps by a question.

Mr. RANDELL. Then will you fix the word yourself?

Mr. BRUSH. I say this: I say that the price is made absolutely by the equilibrium between supply and demand. We, as very large sellers, try our best to guess what that price is——

Mr. RANDELL. And your guess does fix it?

Mr. BRUSH. And we guess. Now, if we guess wrong it goes down or up, either one way or the other, in accordance with the situation. If we guess right it stays there.

Mr. RANDELL. Then your guess fixes it unless the output is greater than the demand?

Mr. BRUSH. Well, if our guess is correct, then we are correct. I do not think we fix it; the thing that fixes it is the equilibrium between supply and demand.

Mr. RANDELL. But you did say something about it was practically that way unless the output was more than the demand; either I misunderstood you or you said something like that.

Digitized by Google

Mr. BRUSH. It is virtually an interpretation of words.

Mr. RANDELL. Then I do not care to split hairs over it.

Mr. BRUSH. No.

Mr. RANDELL. That being the fact, is it not a fact that you have stated also, in effect at least, that the output is nearly always less than the demand?

Mr. BRUSH. You take it during the entire year and there will be at some time during the year a time when some lead will come in——

Mr. RANDELL. If you can answer my questions yes or no, when they are capable of such an answer, I think we will get along a great deal faster.

Mr. BRUSH. Yes, sir.

Mr. RANDELL. I simply want to see if I understand you. Is it a fact that you estimated that about five times out of six the demand is far greater in this country than the output?

Mr. BRUSH. No; it is just the other way; about five times out of six there is enough produced in this country to take care of the demand.

Mr. RANDELL. There is considerable importation.

Mr. BRUSH. The importation is not a heavy one. It is quite a light one. Last year, in the year 1907, most of which was a heavy production, there was an importation of 28,000 tons.

Mr. RANDELL. In your opinion, if the tariff was removed from the lead ore, what price would it bring at the mines?

Mr. BRUSH. I beg your pardon?

Mr. RANDELL. If the tariff was taken off, what would be the price here at the mines in this country?

Mr. BRUSH. It would be made by the equilibrium of the world's supply and demand then, instead of an equilibrium of this country's supply and demand, and what that price would be I don't know; whether our price would go down to the present European price of 2¾ cents or whether the European price would come up to ours I don't know. It would depend upon——

Mr. RANDELL. Does the miner to-day get all of the tariff of 1½ cents on lead ore?

Mr. BRUSH. Yes, sir.

Mr. RANDELL. He gets all of that?

Mr. BRUSH. Yes; absolutely; it absolutely adds that much to the price of lead.

Mr. RANDELL. Then you fix the proposition that he shall sell to you and deliver to you in New York, do you not? That is the form in which all contracts are made?

Mr. BRUSH. That is the form in which all contracts are made, not only with us, but all other smelters——

Mr. RANDELL. You have only two refineries?

Mr. BRUSH. Yes; but there are a great many others. We only handle about one-half of the lead of the country.

Mr. RANDELL. Anyway, the miner must sell to you in New York City?

Mr. BRUSH. We pay——

Mr. RANDELL. Is that a fact or not?

Mr. BRUSH. Well, we pay him the New York price. He does not sell it to us in New York; he sells it to us at the smelter.

Mr. RANDELL. But he must deliver the ore to you in New York, so far as the prices are concerned?

Digitized by Google

Mr. BRUSH. I beg your pardon, but I don't think that is a fair statement to make. We pay him the New York price and he delivers it wherever our smelter is.

Mr. RANDELL. According to his contract he must market his product in New York?

Mr. BRUSH. He does not often market it in New York.

Mr. RANDELL. That is the effect of the contract.

Mr. BRUSH. That is simply a means of finding a proper price to pay him.

Mr. RANDELL. Does he not practically market it to you in New York and then bring it back to you there and pay the freight?

Mr. BRUSH. We pay him the New York price and he pays the freight to New York.

Mr. RANDELL. You pay him the New York price and then he pays the freight between New York and where he is?

Mr. BRUSH. Yes, sir.

Mr. RANDELL. Then that is what he gets; then that is the same as if he delivered the ore at New York; he has no other market, has he?

Mr. BRUSH. He has the market of the country.

Mr. RANDELL. I say he has no other market except he must deliver to you the goods at the New York prices and pay the freight to New York. Is not that the only chance he has under the present conditions to sell his ore? You can say yes or no to that.

Mr. BRUSH. I will say yes; that that is the fact of the case——

Mr. RANDELL. That is what I want to get at, the facts.

Mr. BRUSH. I would like to say, however, that that does not work a hardship to him. He has the market of the country——

Mr. RANDELL. There could be a difference of opinion about that. What I want to get at is the fact.

Mr. BRUSH. That is the fact.

Mr. RANDELL. When you get that ore, you get it at the New York price less the freight?

Mr. BRUSH. Yes.

Mr. RANDELL. Then, if you sell it in Chicago, you sell it at the New York price less the freight from New York to Chicago?

Mr. BRUSH. That is, we get a less price for our lead and we have a smaller freight rate to pay.

Mr. RANDELL. That freight rate comes off, but is not given back to the miner?

Mr. BRUSH. No; neither do we charge him back the less price we get for our lead, either. One adjusts the other.

Mr. RANDELL. But at the same time under your system the freight rate from the mine to New York comes in, but in practice somebody can get that back. If you sell the product anywhere in the country at a less freight rate than to New York, somebody gets that back. Is not that the fact? Somebody gets it, whether you do or not?

Mr. BRUSH. No; the consumer gets it, because he buys his lead for less price.

Mr. RANDELL. I say that somebody other than the miner gets it.

Mr. BRUSH. Yes; the consumer gets it.

Mr. RANDELL. That might be a question whether he gets it or the trust gets it.

Mr. BRUSH. There is no trust.

Digitized by Google

Mr. RANDELL. If you will simply answer my questions yes or no, where they are capable of such an answer, we will get along very rapidly, I think. Under your system, now, you have a market here, and the only market for the producers of this lead ore is New York City, because they must take the New York price and then deduct the freight that it will take to bring that back to New York. That is what they get.

Mr. BRUSH. No; I must differ from your conclusions.

Mr. RANDELL. Tell me any other arrangement they can make.

Mr. BRUSH. They can make any kind of a contract they please with somebody else than ourselves.

Mr. RANDELL. If they can find anybody else; but I say under present conditions if you own a mine, or say that some friend of yours owned a mine and was asking you the practical question—let me put it that way—would you tell him that he had any other show to market his ore? If he asked you if he had any other show to market his ore, would you tell him no?

Mr. BRUSH. Will you ask that question again?

Mr. RANDELL. I say, if you had a friend who was going to buy a mine or had bought a mine, and he asked you if that was his only chance to market his ore, would you tell him that was his only chance?

Mr. BRUSH. No; I would tell him he had a right to sell to some one else.

Mr. RANDELL. I am not asking you about his rights, but what he could do.

Mr. BRUSH. He could do it, and he is doing it. I can give you a list of fifty independent smelters that the American Smelting and Refining Company have nothing to do with.

Mr. RANDELL. I did not ask you that; but did you not say that you fixed the price, and that they come to your price because they want the business, too, and will not reduce it?

Mr. BRUSH. Not necessarily.

Mr. RANDELL. If they get your price and your price is fixed that way, then is not that the only chance for the man who owns the mine?

Mr. BRUSH. The mine owner gets the absolute market price for lead in this country, for the lead consumption of the country.

Mr. RANDELL. Then, did you misstate it inadvertently when you stated that you made a price and that the other dealers made the same price because it was more convenient than to get up a fight, or something of that kind?

Mr. BRUSH. No, sir; I never stated anything of the kind.

Mr. RANDELL. Did you not say that——

Mr. CRUMPACKER. I do not think the gentleman from Texas is correct on that. That question came up yesterday in connection with the steel and iron investigation. Nothing of that kind has been referred to in this investigation.

Mr. RANDELL. I do not think the word "fight" was used, but I think the same situation was referred to.

Mr. CRUMPACKER. Not at all; my recollection is quite different.

Mr. RANDELL. Perhaps I may be mistaken, but I did not think I was. I want to get it straightened out, so that there will be no mistake.

Digitized by Google

Now, is it not a fact that you do make the price to them; they are all paid the same under the same conditions, less the freight, of course, which might vary?

Mr. BRUSH. I do not understand that.

Mr. RANDELL. Is not the marketing of the lead ore all over the United States practically on the basis that you pay for it?

Mr. BRUSH. No, sir; it is not.

Mr. RANDELL. The New York price, less the freight from New York?

Mr. BRUSH. No, sir; it is not. There are a great many contracts that are made based upon Engineering and Mining Journal quotations; there are a great many contracts that are made based upon the Metal Exchange quotations.

Mr. RANDELL. Is that in your section of the country?

Mr. BRUSH. I beg your pardon?

Mr. RANDELL. Is that done in Colorado?

Mr. BRUSH. It is done all over the country.

(Mr. Brush submitted the following figures:)

	European lead value delivered St. Louis without duty.	Average market price domestic desilverized lead, St. Louis.	Excess value of domestic product.
1900	$3.99	$4.04	$0.05
1901	3.02	4.28	1.26
1902	2.75	4.02	1.27
1903	2.82	4.19	1.37
1904	2.91	4.25	1.34
1905	3.29	4.63	1.34
1906	4.07	5.58	.51
1907	4.45	5.36	.91
Average excess			1.00

JAMES E. POPE, JERSEY CITY, N. J., WRITES RELATIVE TO THE AMERICAN SMELTING AND REFINING COMPANY.

JERSEY CITY, N. J., *December 16, 1908.*

Hon. S. E. PAYNE,

Chairman Ways and Means Committee, Washington, D. C.

DEAR SIR: I see that Mr. Edward Brush, of the American Smelting and Refining Company, recently gave testimony before your committee relative to the relations existing between the American Smelting and Refining Company, the National Lead Company, and the United Lead Company. The testimony, according to report, was to the effect that these companies had little, if any, connection, while it is a well-known fact that not only are their relations most intimate, but that their united efforts exert a control over the market not only of pig lead and manufactured lead, but of solder, white metals, etc., which is almost absolute. Mr. Brush might have told your committee of the Hoyt Metal Company and of the Magnus Metal Company, two other tentacles of the octopus. He might also have related how the

Digitized by Google

American Smelting and Refining Company has in recent years refused to sell certain dealers in pig lead unless they pledged themselves not to resell such pig lead to certain competitors of the United Lead Company and the National Lead Company who were then refusing to join with one or the other of these companies in a pool to maintain the price of said manufactured articles. Prior to the formation of the American Smelting and Refining Company he might have told you that the independent smelters were accustomed to sell pig lead, delivered at points in the United States based on actual cost of freight from smelters located in Chicago, Ill., Aurora, Ill., St. Louis, Mo., Pueblo, Colo., and Omaha, Nebr., but after the formation the consumer in Chicago had to pay for pig lead the same price as he who bought for New York delivery, while Philadelphia, although the freight from the West is 2 cents per 100 pounds less than to New York, has to pay for trust-smelted lead 2 cents per 100 pounds more. Contracts made by the trust are frequently made (when it suits them so to do) for shipments from the West within thirty, sixty, or ninety days as they elect, and the price not a fixed one, but to be that of the American Smelting and Refining Company on day of shipment. You can understand that as they fix the price, either advancing or reducing it to suit their peculiar interests, such a contract is actually a process in the milking of the consuming public, to whom they sell, the other a milking of the Idaho miners, of whom they buy on an elastic contract, which bases the buying price on the New York market price of lead, less freight (?) to New York of 1¼ cents per pound. What is the market price of lead in New York? It is the price made by three or four officials of the American Smelting and Refining Company, who meet as occasion requires, and give it out to the New York Metal Exchange. Do they sell lead at that price? If it suits them, yes; but frequently it has been the case that the price is made by them at a low figure, and you nor I nor no other man can, with the coin of the realm in his pocket, induce them to sell any lead at their price. Why? Because they are then taking in our friends from Idaho—taking in their lead at the market price which they have made for that purpose. How was the common stock of the American Smelting Company sold when the trust was formed? Did not each subscriber for a share of preferred receive a share of common as a bonus? Who pays the freight which permits the bonus to sell as it recently did in New York, at $165 per share? The common people who use lead in solder for their tin dinner cans, for the roofing on their houses, for painting, etc., etc.

Very respectfully, JAMES E. POPE.

J. W. MARSH, PITTSBURG, PA., ADVOCATES THE REDUCTION OF DUTIES ON LEAD ORES AND LEAD BULLION.

PITTSBURG, PA., *December 19, 1908.*

Hon. JOHN DALZELL, M. C.,
House of Representatives, Washington, D. C.

DEAR MR. DALZELL: I have noticed by the papers that a representative of the American Smelting and Refining Company had appeared before the Committee on Ways and Means in connection with the

Digitized by Google

hearing on the lead schedule, and that he has advocated or intimated his company's assent to a reduction of three-eighths of a cent on refined lead, leaving it at 1¾ cents, but that they want no reduction on lead imported in ore or bullion, the duty on the lead contents of which is 1½ cents per pound.

In that connection I beg to refer you to my letter of November 25, in which I made a plea for a considerable reduction on both kinds of lead, and suggested that about half of present rate would be right.

If the duty on lead contained in ores and bullion is not reduced, it means that the American producers of lead (and the American Smelting and Refining Company is the principal one) can continue to take the same toll from American consumers of refined lead that they have taken heretofore. In other words, substantially no benefit will accrue to the consumers of lead in this country from the proposed tariff revision.

Mr. Brush's own figures show that he considers one-fourth cent per pound ample protection for the smelter, because he is willing to make the figures 1½ cents, as now, on lead contents, and 1¾ cents on refined lead. The question then is, Shall the mine owner alone have a protection of 1½ cents per pound, or $30 per ton, on lead? I can see no possible theory upon which so large a protection is necessary or right, for $30 a ton will, in my opinion, pay the cost of mining three or four times over.

I think I put the figures about where they ought to be when I suggested in my letter of November 25 that the duty on lead contained in ores, etc., should be three-fourths of a cent per pound ($15 per ton), and that on refined lead about 1⅛ cents per pound. A slight reduction on refined lead and none on lead contained in ores will not be satisfactory or fair to the consumer, and will not in actual practice result in any reduction at all. I hope you will use your influence on the committee to bring about a considerable reduction on both items of the lead schedule, as suggested by me.

Very truly, yours,

STANDARD UNDERGROUND CABLE CO.,
J. W. MARSH,
Vice-President and General Manager.

EDWARD BRUSH, OF THE AMERICAN SMELTING AND REFINING COMPANY, OF NEW YORK CITY, FILES SUPPLEMENTAL STATEMENT RELATIVE TO LEAD.

NEW YORK, *December 22, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.

DEAR SIR: While in attendance in giving testimony before your committee you requested that I would send you the cost of delivering a ton of ore at the mouth of a mine in Mexico. I explained that these costs as well as all other costs vary in accordance with the local situation. However, as I have endeavored in all my testimony, I have either selected statements and costs that were an average or typical. I have therefore taken the four lead ore mines which are the largest producers of lead of our own mines shipping lead to our

Digitized by Google

own smelters in Mexico. I find that the cost of breaking, stoking, timbering, tramming, and hoisting, which is all of the direct cost of delivering ore at the mouth of the mine, in the case of one mine amounts to 81 cents per ton; another, $1 per ton; another, $1.04 per ton; and other, $1.48 per ton. These mines produce a lead ore averaging from 5 to 14 per cent lead.

Pursuant to your kind request to write any corrections which I desire to make in my testimony, I beg to state that on page 5064 of my testimony you will find that I stated that I was not a director of the United Lead Company. I find that my name is on the list of directors. As a matter of fact, I have not attended a meeting of the directors for at least three years, and at the moment I had forgotten that I was a director.

I feel that I should explain also with reference to my testimony on page 5061, that although a large proportion of all of our lead sold in the West is sold upon the exact freight difference, as I therein state, this is not the case with all brands or all qualities of lead; and, in fact, some qualities of lead requiring much additional expense in refining is sometimes sold in the West at a price even higher than the New York price for common lead.

Yours, very truly,

EDWARD BRUSH.

JOHN B. WINFIELD, OF PUEBLO, COLO., COMPARES CANADIAN AND AMERICAN PRICES OF WHITE LEAD.

PUEBLO, COLO., *December 12, 1908.*

WAYS AND MEANS COMMITTEE,
Washington, D. C.

GENTLEMEN: As substantial evidence of the injustice to the American people of the present duty on lead, I wish to draw your attention to the fact that the resident of Canada buys his white lead to beautify and preserve his house, barn, railroad cars, etc., at 4 cents per pound—made in Germany—while the American neighbor just across an imaginary line is compelled to pay 6 to 6¼ cents for an inferior quality of the same common necessity. Why?

Very sincerely,

JOHN B. WINFIELD.

WM. T. BARNUM & CO., NEW HAVEN, CONN., THINK THAT THE DUTY ON LEAD SHOULD BE MATERIALLY REDUCED.

NEW HAVEN, CONN., *December 26, 1908.*

WAYS AND MEANS COMMITTEE,
Washington, D. C.

GENTLEMEN: We are writing to urge upon your committee the removal, or at least the reduction, of the present high tariff on lead. We write on behalf of electrotypers, as that is our business; and lead is the principal ingredient in electrotype metal. But our experience is shared by all manufacturing concerns who are large users of lead.

Back in 1897 we bought electrotype metal at 4 cents per pound, and there was a good profit on it at that price both for the lead miners and for the smelting companies. But gradually, under tariff

protection, the price was steadily pushed up, till in 1907 it reached the ruinous figure of 7½ cents per pound, and this for no other reason than that the lead trust, sheltered by the tariff, could squeeze it up to that figure—and did. Of course, the smelting and refining companies, for the most part, also benefit by this situation, as they use the high price of lead as an excuse for exorbitant charges of their own. The panic last year brought the price down, and nervousness over the present tariff agitation is keeping it down to a fairly reasonable figure—4.8 to 5 cents per pound. But, should the present tariff be confirmed by you, the price would at once be pushed up again to the old extortionate figures.

For us electrotypers this is a serious matter. The profits in our business have been steadily narrowing for years. Our wage scale has been going up for a long time, and we can not reduce this, and do not want to. On the other hand, the price of electrotypes has not gone up. On the contrary, sharp competition has not only prevented a rise in prices of our product, but has actually lowered them, and to a serious extent; and we can not raise them if we wish to continue in business.

The only thing that can be changed, and should be, is the cost of electrotype metal, and this can come about only through reduction in the tariff on lead. We are looking to your committee for relief from a burden that is wholly unnecessary and very unjust.

Respectfully, yours,

W. T. BARNUM & Co.

THE UTAH MINE OPERATORS' ASSOCIATION SUBMITS STATISTICS RELATIVE TO LEAD AND ITS PRODUCTION.

WASHINGTON, D. C., *December 28, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The following statistics are compiled from reports of the United States Geological Survey, "Mineral resources of the United States, years 1890 to 1906," and from chart issued by the Department of the Interior, United States Geological Survey, for the years 1898 to 1907, inclusive, under direction Edward W. Parker, statistician in charge of mineral resources, and from bureau of statistics, State of Utah, and from market quotations, as per Engineering and Mining Journal, New York City:

CHIEF SOURCES, RANK, AND PRODUCTION OF LEAD IN THE UNITED STATES, YEAR 1907.

Total production, 365,166 short tons, divided as follows:

	Rank.	Percentage.	Tons.	Value.
Idaho	First	33.7	123,061	$13,044,460.00
Missouri	Second	31.9	116,488	12,347,723.00
Utah	Third	16.2	59,157	6,270,630.00
Colorado	Fourth	14.5	52,949	5,612,601.00
Miscellaneous		3.7	13,511	1,432,182.00
Total		100.0	365,166	38,707,596.00

Digitized by Google

Average price of lead in New York for the year 1907, $106.50 per short ton, equal to 5.325 cents per pound.

Average price in London for the year 1907, £19.034 per long ton, on basis exchange $4.84, equal to $82.26 per short ton, equal to 4.113 cents per pound.

Average price of lead in New York for first nine months of 1908, $83.35 per short ton, equal to 4.167 cents per pound.

Average price in London for the same period was £13.467 per long ton, equal to $58.20 per short ton, equal to 2.910 cents per pound.

Present price lead, New York, 4.3 cents per pound.

Present price lead, London, 2.9 cents per pound (£13 8s. 9d., equal to £13.437, at $4.84).

Average price lead, 1890–2, in New York, 4.252 cents per pound.

Average price lead, 1894–7, in New York, 3.207 cents per pound. (N. B.—1893 abnormal year, due to panic.)

Average price lead, 1898–1907, in New York, 4.595 cents per pound.

Lead imports into United States, years 1890–1892, inclusive.

	Pounds.	Value.	Average price per pound.
			Cents.
Ore and dross	106,007,634	$2,902,248.00	2.738
Pigs and bars	24,278,566	808,808.00	3.331
Sheets, pipe, and shot	515,974	24,204.00	4.69
Not otherwise specified	.....	3,803.00	.....
Total	[a] 130,802,174	3,739,063.00	.....

[a] 65,401 tons.

Lead exports from the United States, years 1890–1892, inclusive.

Manufactures of lead	$509,292.00
Pigs, bars, and old lead	None

Lead imports into United States, years 1894–1897, inclusive.

(N. B.—Year 1893 abnormal because of panic.)

	Pounds.	Value.	Average price per pound.
			Cents.
Ore and dross	146,937,380	$2,291,696.00	1.56
Pigs and bars	175,321,746	3,453,533.00	1.97
Sheets, pipe, and shot	363,989	14,940.00	4.14
Not otherwise specified	.....	2,970.00	.....
Total	[a] 322,623,124	5,763,139.00	.....

[a] 161,312 tons.

Lead exports from the United States, years 1894–1897, inclusive.

Manufactures of lead	$995,995
Pigs, bars, and old lead	757,546
	1,753,541

Digitized by Google

Lead imports into United States, years 1898–1906, inclusive.

(1907 statistics not available.)

	Pounds.	Value.	Average price per pound.
			Cents.
Ore and dross	21,226,281	$4,253,163.00	2.004
Pigs and bars	85,075,547	2,596,246.00	3.052
Sheets, pipe, and shot	1,172,454	50,036.00	4.267
Not otherwise specified	.....	28,815.00	.....
Total	[a] 107,474,281	6,928,260.00	.....

[a] 53,737 tons.

Lead exports from the United States, years 1898–1906, inclusive.

Manufactures of lead	$4,197,223
Pigs, bars, and old lead	623,166
	4,820,389

Sources and quantities of imports of lead, year 1906.

	Pounds.	Total.	Tons.
Refined pig lead:			
United Kingdom	9,852,760		
Germany	2,006,369		
Other European countries	3,920,313		
		15,779,442	7,890
Ore and base bullion:			
British North America	18,514,244		
Mexico	133,512,526		
South America	315,265		
		152,342,035	76,171
Miscellaneous other countries	.....	147,462	73
	.....	168,268,939	84,134

Of the above, 69,789,418 pounds (34,895 tons) was imported and entered for consumption, valued at $1,738,296.

Summary of general statistics lead industry, year 1906, in short tons.

Production, 350,153 tons, at $114 per ton	$39,917,442.00
Imports entered for consumption, 34,895 tons, at $114 per ton	1,738,296.00
	41,655,738.00
Exports deducted	775,776.00
Net value for year	40,879,962.00

The United States ranks first in the production and first in the consumption of lead, producing 35.3 per cent of the world's production and consuming 37 per cent of the world's production.

The mines of Spain, England, and Germany furnish the bulk of European product of lead

Average prices of lead and silver, 1890 to present.

	Lead, per pound.	Silver, per ounce.
	Cents.	*Cents.*
1890–1892 [a]	4.252	96.71
1894–1897	3.207	64.17
1898–1907	4.595	60.11
1908 (first 9 months)	4.167	53.84
Present price	4.300	49.87

[a] 1893 was an abnormal year, due to panic.

Digitized by Google

Utah's lead production, 1907, 59,157 tons.

Utah's silver production, 1907, 11,925,480 ounces.

Repeal of tariff, coupled with present low price of silver, will mean loss to the State of—

Lead, 60,000 tons yearly, at $30 per ton	$1,800,000
Silver, 12,000,000 ounces, at 14 cents per ounce	1,680,000
	3,480,000

A complete shut down would mean a loss to the State of—

60,000 tons lead yearly, at $86 per ton	$5,160,000
12,000,000 ounces silver, at 50 cents per ounce	6,000,000
100,000 ounces gold, at $20 per ounce	2,000,000
12,000,000 pounds copper, at 13 cents per pound	1,510,000
	14,720,000

and would throw out of employment 10,000 men directly engaged in the lead mining, milling, and smelting industry, earning an average yearly wage of $1,000—$10,000,000.

And men in allied employments, such as railroads, agriculture, merchandise, assaying, sampling, and coal mining, earning an average yearly wage of $1,200—$12,000,000.

Mexico produces yearly base bullion amounting to (1906, 89,497 metric tons) 80,000 short tons, and annually exports to El Paso (Tex.) smelter about 150,000 tons of ore averaging 15 per cent lead, producing 22,500 short tons of lead metal.

Mexican investments in mines by American capital is upward of $600,000,000.

Cost of labor in Mexican and American lead mines.

		Mexican.	American.
Shaftmen	per day (U. S. money)	$1.00	$3.50
Tunnel men	do	.75	3.00
Blacksmiths and carpenters	do	1.00	4.00
Engineers	do	1.00	3.50

Mine labor in Spain is about 25 per cent less than similar labor in Mexico.

Many lead mines in Mexico now closed could be reopened with a market for base bullion.

Mexican lead can be put into the United States for 2½ cents per pound, which price would be prohibitive with the American miner having the present low price of silver (about 50 cents) to contend with.

Where formerly lead was considered a by-product, it is now the primary metal mined for in Utah, with silver as the by-product.

Respectfully submitted.

UTAH MINE OPERATORS' ASSOCIATION,
H. S. JOSEPH, *Secretary*,
JOHN DERN, *President*.

Digitized by Google

THE STANDARD UNDERGROUND CABLE COMPANY, OF PITTSBURG, PA., SUBMITS BRIEF RELATIVE TO REDUCTION OF DUTY ON LEAD AND OTHER RAW MATERIALS.

PITTSBURG, Pa., *November 25, 1908.*

Hon. JOHN DALZELL, M. C.,
Washington, D. C.

DEAR MR. DALZELL: I have just learned that the Ways and Means Committee of the House of Representatives is holding hearings on tariff revision at Washington, with respect to "Metals, and manufactures of," to-day; and I hasten to give you my views regarding such manufactures as we are interested in, in the hope that they may arrive in time for consideration.

I inclose a list of articles in which we are interested either as manufacturers thereof, or as buyers thereof for use in our manufactured products.

In the items under No. 450, four of them, 137, 329, 176, and 193, we are interested as manufacturers; and upon the assumption that none of them are applicable to telegraph or other electric cables having a lead cover (lead pipe) over the same, I state to you that the American manufacturers would have reasonable protection if the present schedules were retained as the maximum percentage tariff, and a flat reduction of 10 per cent (i. e., 35 — 10 = 25; 45 — 10 = 35 per cent) as the minimum percentage tariff for all of those items upon which the present tariff is fixed by way of a percentage; with no change in the per pound addition of item No. 137; and the following change in item No. 176, copper rods, namely, a maximum tariff of 1½ cents "manufactures n. s. p. f., 45 per cent."

With respect to telegraph or other electric cables having a lead cover, the schedules are not at all clear, but I have the impression that item No. 329 is meant to cover lead-covered cables, when taken in combination with the duty on lead pipes (par. No. 182 of the existing tariff act), 2½ cents per pound, or (par. No. 193) "lead manufactures n. s. p. f., 45 per cent."

This matter, however, ought to be clarified, and it can be done by adding to the items numbered 450, 137, and 329 the words "If lead covered, add to the duty applicable to the core or wires inclosed therein a duty of 2¾ cents per pound of lead contained in the lead cover," or words to that effect.

If the duty on lead (see item No. 182 on the inclosed sheet) is reduced as hereinafter suggested, then to the extent of such reduction in cents or fraction of a cent per pound the 2¾ cents per pound suggested in the preceding paragraph of this letter should be reduced.

I desire to urge a reduction in the duty on lead ore (item No. 181 on inclosed sheet) and on lead in bars, pigs, granules, and other forms. The figures of the present schedule as to lead are entirely unreasonable, excessive, and unfair. Take pig lead, for example: The duty of 2⅛ cents per pound has often within my own business experience of twenty-five years been equal to 100 per cent of the London price, although to-day it happens to be only 50 per cent plus c. i. f. Pig lead is the raw material of manufacture in many industries and the very high protection which it now enjoys is making the cost of finished products of many kinds anywhere from 50 to 100 per cent

Digitized by Google

higher than they would be if lead were on the free list. I do not suggest that it should be put on the free list by any means, because the high-priced labor in mining and smelting must be borne in mind.

I may be reminded that, so far as the use of pig lead is concerned in the manufacture of goods for export, the export rebate clause provided for such cases in the Dingley bill gives us back nearly all the duty on imported lead, and this is a wise provision, without which the small chance which we now have of competing with foreign manufacturers in the world's markets would be entirely obliterated.

But notwithstanding the rebate clause in the Dingley bill, the high duty on lead (and the resultant higher prices for domestic lead) produces a very serious handicap to all American manufacturers of goods for export containing lead. In their efforts to sell such goods in foreign countries whose tariff laws include the so-called "antidumping" clause (as does Canada) they are confronted by the provision that goods offered in that foreign country at a lower price than sold for at home are penalized in some cases to the full extent of the difference if the goods are of a class that are also produced in that foreign country. Hence the Dingley rebate is of no use under these circumstances, and a large portion of the foreign market is closed against us.

My suggestion is that the present schedules on lead, whether in ores, pig, bars, or otherwise, be cut approximately in half, making the duty on lead contained in ores about three-fourths of a cent per pound and the duty on pig lead, bars, granules, etc., 1 to 1½ cents per pound.

My use of the words "maximum" and "minimum" has reference to the possibility that the Congress might decide to enact a tariff bill containing maximum rates and minimum rates (the latter for trading or reciprocal uses), such as the German tariff laws contain.

We shall be greatly obliged to you if you will use your influence to bring about the adoption of the suggestions contained in this letter.

Very truly, yours,

JOSEPH W. MARSH,
Vice-President and General Manager
Standard Underground Cable Co.

P. S.—All the items on the inclosed sheets, to which I have not referred by number in this letter, are materials which we buy; in other words, they are the "raw materials" of our manufacture, and I have no suggestion to make regarding any of these except for what I have said on the subject of lead. Of course the tariff should not be increased on any of those articles.

Yours, J. W. M.

EXHIBIT A.

PITTSBURG, PA., *November 24, 1908.*

Par.
484. Asbestos, unmanufactured, free.
448. Asbestos, manufactures of, 25 per cent.
464. Acids, muriatic, free.
1. Acids, sulphuric, one-fourth cent per pound.
93. Asphaltum, crude, not dried or otherwise manipulated or treated, $1.50 per ton.
6. Alcohol, wood or methyl, 20 per cent.
93. Asphaltum, molded into blocks for transportation, $3 per ton.

Digitized by Google

524. Benzole, as coal-tar product, free.
450. Cable core, telegraphic, of copper and gutta-percha; dutiable as gutta-percha at 35 per cent ad valorem.
450. Cable, telegraph, if old, dutiable at 35 per cent ad valorem.
450. Cable, telegraph, new, as gutta-percha, at 35 per cent.
137. Cable, telephone, switchboard, composed of copper wire coated, etc., rated on size of wire and additional, per pound 1¼ cents.
329. Cable, all others according to materials used in them, dutiable at 45 per cent.
302. Cotton yarn, carded, warps or warp yarn, in singles, whether on beams or in bundles, skeins or cops, or in any other form, except spool thread, not colored, bleached, dyed, or advanced beyond the condition of singles, grouping or twisting two or more single yarns together, on all numbers up to and including No. 15, per pound, 3 cents.
302. Cotton yarn, etc., exceeding No. 15 up to and including No. 30, per number per pound, one-fifth cent.
302. Cotton yarn, exceeding No. 30, per number per pound, one-fourth cent.
302. Cotton yarn, colored, bleached, dyed, combed, or advanced beyond the condition of singles by grouping or twisting two or more single yarns together, whether on beams or in bundles, skeins or cops, or in any other form except spool thread of cotton, on all numbers up to and including No. 30, per pound, 6 cents.
302. Cotton yarn, on all numbers exceeding No. 20 and up to No. 80, per number per pound, one-fourth cent.
302. Cotton yarn, exceeding No. 79, per number per pound, three-tenths cent.
532. Copper, in ingots, bars, pigs, and unmanufactured forms, free.
176. Copper rods, 2½ cents per pound.
193. Copper wire, insulated or plain, by which is meant articles or wares not specially provided for in the act, composed wholly or in part of copper, and whether partly or wholly manufactured, 45 per cent ad valorem.
341. Jute burlap, as jute cloth, not exceeding 60 inches in width, weighing not less than 6 ounces per square yard, and not exceeding 30 threads to the square inch, counting the warp and filling, per pound, five-eighths of a cent and 15 per cent.
341. Jute burlap, as jute cloth, if exceeding 30 and not exceeding 55 threads to the square inch, per pound, seven-eighths of a cent and 15 per cent.
328. Jute yarn, ss. 700, not finer than 5 lea or number, per pound, 1 cent and 10 per cent.
328. Jute yarn, if finer than 5 lea or number, 35 per cent.
181. Lead ore, 1½ cents per pound on lead contained therein.
182. Lead, in bars or pigs or granules or any form not specially provided for, 2½ cents per pound.
37. Linseed oil, raw, oiled or oxidized, per gallon of 7½ pounds, 20 cents per gallon.
184. Mica, unmanufactured or rough trimmed only, 6 cents and 20 per cent.
184. Mica, crude or trimmed, 12 cents and 20 per cent.
607. Manganese, oxide of, free.
322. Oil, coal, crude or refined, free.
626. Oil, china, nut or wood, free.
402. Paper, rope, not specially provided for, 25 per cent.
695. Ozokorite mineral wax, free.
548. Rosin, crude, free.
449. Rubber, reclaimed, 30 per cent.
(?) Rubber, crude, not scheduled.
614. Talc, free.
6. Talc, ground, as not elsewhere manufactured article, 20 per cent.
683. Tin, in ore or in bars, blocks, pigs, or in grain, free.
192. Zinc, in blocks or pigs, 1½ cents per pound.

Digitized by Google

LEAD AND ZINC ORES.

[Paragraphs 181 and 514.]

HOMER L. CLARK, PITTSBURG, PA., URGES PRESENT DUTY ON LEAD ORE AND A DUTY ON ZINC ORE.

PITTSBURG, PA., *November 23, 1908.*

Hon. JOHN DALZELL, M. C.
House of Representatives, Washington, D. C.

DEAR SIR: Being interested in the production of lead and zinc in this country, I take the liberty of writing to urge you to use your influence to have continued the present import duty on lead ore, and to have provided a like rate of duty on imported ore containing metallic zinc. This will mean very much to all producers of these ores in this country. Asking your kind consideration and thanking you in advance for the favor, I am,

Sincerely, yours, HOMER L. CLARK.

CHARLES H. MORRIS, DENVER, COLO., URGES RETENTION OF DUTY ON LEAD AND PLACING OF DUTY ON ZINC ORE.

DENVER, COLO., *December 17, 1908.*

Hon. SERENO PAYNE, *Washington, D. C.*

DEAR SIR: As resident manager and in the name of the three large silver, lead and zinc mining properties located in Georgetown mining district, Clear Creek County, Colo., as per my card inclosed, I and we hereby desire to enter a most earnest protest in regard to the matter of reducing tariff on lead and continuing to admit zinc ores free. If this is done, the great silver-lead mining industry of the Rocky Mountain country will, in our estimation, become a thing of the past, and in connection with the extreme low price of silver will still further very seriously affect the welfare of thousands of mine owners and still more thousands of working miners and their families, whose interests, I trust and believe you and your committee will give due consideration.

Very respectfully, yours,

CHAS. H. MORRIS,
Manager Altura Mining and Milling Company and Others.

LEADVILLE, COLO., MINERS PROTEST AGAINST REDUCTION OF LEAD DUTY, AND ASK FOR DUTY ON ZINC ORES.

LEADVILLE, COLO., *November 23, 1908.*

Hon. S. E. PAYNE,
Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.:

On behalf of Leadville, one of the greatest mining camps this country has known, and whose business has been greatly depressed by the low prices of metals, we ask your committee not to allow any reduction in the tariff on lead, and also that you place a tariff upon zinc in ores and spelter so that mining in Colorado may be stimulated and helped. Any reduction in our lead tariff will have the effect of

Digitized by Google

closing our lead mines and thereby reduce the capacity of our lead smelters for handling our other ores. These are vital needs of the mining interests of Colorado and many mines are now operating without profit, relying upon the Republican tariff to bring better prices and some profit in the very near future.

Kenneth L. Fahnestock, Charles Cavender, National committeemen for Colorado; The Ibex Mining Company, A. V. Hunter, president; John F. Campion, general manager Wolcott Mining Company; Robert B. Estey, general manager Dunkin Mining Company, and Luema Mining Company; Warren F. Page, general manager New Monarch Mining Company; James B. McDonald, general manager International Mining Company; H. M. Shepard, general manager Iron Chute Mining Company; G. H. F. Meyer, general manager, chairman Lake County Republican Committee.

Letters and telegrams similar in purport to the above were received from the following: Leadville Light and Power Co., the Herald-Democrat, Big Chief Mining Company, Sunday Mining Company, Rangola Mining Company, Louisville Mining Company, Evening Star Mining Company, Iron Silver Mining Company, George F. Campion, John A. Ewing, W. E. Bowden, Leadville Citizens' Improvement Association, Small Hopes Consolidated Mining Company, Leadville Consolidated Mining Company, Fanny Rawlins Mining Company, Boreeim Mining Company, International Mining Company, all of Leadville, Colo.; A. W. Kopp, Congressman-elect, Platteville, Wis.; Lead and Zinc Miners' Association, Mineral Point, Wis.

LEAD, LUMBER, AND SHINGLES.

[Paragraphs 181, 194, 195, and 203.]

SEATTLE, WASH., *November 24, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee, Washington, D. C.:

In behalf business and manufacturing interests of Northwest this chamber protests against the repeal of the tariff on lumber, shingles, and lead.

SEATTLE CHAMBER COMMERCE.

RADIUM.

[Paragraph 183.]

Washington, November 30, 1908.

CHAIRMAN COMMITTEE ON WAYS AND MEANS,
House of Representatives.

SIR: I have the honor to inclose herewith a letter from Prof. Howard A. Kelly, of the Johns Hopkins Hospital, urging that radium be admitted into this country free of duty.

Respectfully,

J. B. REYNOLDS,
Acting Secretary of the Treasury.

Digitized by Google

ASHWORTH, *November 25, 1908.*

Honorable SECRETARY OF THE TREASURY,
Washington, D. C.

DEAR SIR: I write to ask if it is not possible to bring radium into this country without duty, and if you will kindly tell me why duty is placed on radium? It seems to me to be of the same nature as quinine was considered to be some years ago—that is to say, a blood tax of the worst kind. It is exceedingly important to the physicians of this country to be able to get radium at the least price for use in the treatment of patients. I have recently had to pay $1,000 for 10 milligrams; a large part of this went to pay duty. I am making this inquiry because I want more radium. A prompt reply would be appreciated.

Yours, very truly, HOWARD A. KELLY,
Professor of Gynecology, Johns Hopkins Hospital,
Baltimore, Md.

SELENIUM.

[Paragraph 183.]

PITTSBURG, PA., *November 11, 1908.*

Hon. JOHN DALZELL,
House of Representatives, Washington, D. C.:

Several of our manufacturers are users of selenium metal and would like to have it on free list. It is not produced in this country.

DANIEL C. RIPLEY.

MICA.

[Paragraph 184.]

W. VANCE BROWN, ASHEVILLE, N. C., CLAIMS THAT A NEW CLASSIFICATION FOR MICA IS NECESSARY.

ASHVILLE, N. C., *November 21, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: Mica fit for commerce is being mined in three sections of the United States: In the Northeast in New Hampshire, Vermont, and Maine. In the West in North Dakota. In the South in Alabama, Georgia, South Carolina, western North Carolina, and Virginia.

The production in the two latter sections has increased the past five years, more especially in the smaller sizes for electrical use and in scrap for grinding purposes.

This increase is because the present duty is 6 cents per pound and 20 per cent ad valorem on such material. Without this duty the principal competition would be from India, where there are large deposits and extensive mines in operation, and where the labor cost is from 6 cents to 15 cents per day, whereas our labor cost is from $1

Digitized by Google

to $2.50 per day in the mines, and in the factories where the mica is sheeted and cut, and some women are employed, from 65 cents to $2 per day.

The present duty is 12 cents per pound and 20 per cent ad valorem on cut mica, but this is being evaded a great deal by what we consider a wrong construction of the words in the paragraph. This wording should be changed so as to make more definite the distinction between what should pay 6 cents per pound and what should pay 12 cents per pound. Even then there will be, as now, practically no protection on the larger and more valuable sizes of sheet—i. e., anything selling in the market above about 35 cents per pound, and considering the difference in labor values, the ad valorem duty should be not less than 50 per cent.

We therefore ask the committee that they arrange the wording of the tariff so that the difference between the manufactured sheet and the unmanufactured or crude sheet may be definitely and more easily determined; and also that the ad valorem duty be considerably raised.

If this is done, the development of the deposits in this country will quickly meet all demands and employ thousands of men and women in the sections above mentioned and in the cities where the material is rehandled.

W. VANCE BROWN.

THE LAURENTIDE MICA CO., PITTSBURG, PA., THINKS CANADIAN AMBER MICA DOES NOT COMPETE WITH AMERICAN MICA.

PITTSBURG, PA., *November 17, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
House of Representatives, Washington D. C.

DEAR SIR: The Laurentide Mica Company (Limited), which is the mica mining and manufacturing department of the Westinghouse Electric and Manufacturing Company, of Pittsburg, Pa., operating extensively in Custer, S. Dak., Lincoln, Nebr., and Ottawa, Dominion of Canada, desires to bring to the attention of the committee respecting the importation of Canadian amber mica (phlogopite) and India or other foreign clear or white mica (moscovite). We are inclined to believe that when the present tariff bill was under discussion the Canadian amber mica was represented as a substitute for the American product and was classified, valued, and duties imposed accordingly. However, this action did not have the desired effect, as amber mica is not found in the United States, and consequently does not protect any American miner or manufacturer, as this particular grade of mica is used by the electrical industry for a different purpose altogether from that of muscovite, or clear white mica, and does not displace the latter to any great extent.

This is not true, however, of the condition affecting the mining and manufacturing of clear white mica (muscovite), which is found in almost inexhaustible quantities in very many of our States, and is as yet not fully developed.

If you will refer to the report of Mr. Douglas B. Sterrett, of the Geological Survey, Washington, you will find valuable information concerning muscovite and its occurrence in various localities of our

Digitized by Google

own country, and a description of our operations in South Dakota. And as we are the largest miners of this grade of mica in the United States, and are endeavoring to develop the resources of this material, we feel that our business is being jeopardized by foreign competition. This is due in part from the fact that the Treasury Department has exercised unusual diligence in increasing the values of Canadian amber mica, which is not in competition wholly with domestic mica (muscovite), and has neglected to place proper values and rate of duty on clear or white mica (muscovite), principally from India, which has for several years been imported into this country at a low value, consequently aiding the foreign miner and the American broker, and thus making it a hardship upon the American miner and consumer. As the rate of wages paid to laborers in India is from 5 to 8 cents per day, competition by American producers under present conditions is almost impossible.

Every pound of muscovite mica imported from India or other foreign country displaces the same quantity of American product of the same quality.

Referring to the importation of Canadian amber mica (phlogopite), we are not prepared to ask that this grade of material should be admitted duty free, but we do believe that there should be a better understanding of the subject by all concerned.

Yours, truly,

THE LAURENTIDE MICA COMPANY (LIMITED),
W. J. LONGMORE, *Vice-President.*

VARIOUS AMERICAN PRODUCERS OF MICA SUGGEST A NEW CLASSIFICATION FOR THIS ARTICLE.

WASHINGTON, D. C., *November 25, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: We suggest the following change of wording to make more clear a subject which is now in conflict between the Government and the importers. We suggest the increase in tariff to enable the American producer to compete with the cheap foreign mica:

Proposed paragraph 184. Mica, unmanufactured or roughly thumb-trimmed only, 6 cents per pound and 40 per cent ad valorem; mica, manufactured in any form, or knife or shear or machine trimmed, or cut to pattern, or split to thickness of less than five one-thousandths of an inch, 12 cents per pound and 40 per cent ad valorem.

Respectfully submitted.

ASHEVILLE MICA CO.,
Asheville, N. C.
W. VANCE BROWN.
THE GREAT SOUTHERN MICA CO.,
Cleveland, Ohio.
HUBERT H. WARD.
BUCHANAN & GRINDSTAFF.
B. C. GRINDSTOFT.

Digitized by Google

STATEMENT MADE BY W. VANCE BROWN, OF ASHEVILLE, N. C., REPRESENTING THE ASHEVILLE MICA COMPANY.

FRIDAY, *November 27, 1908.*

Mr. BROWN. Mr. Ward has so well said what we figured on saying that there is very little for me to say, except perhaps to answer a question or two that you put to him.

Mr. GRIGGS. Where are you mining?

Mr. BROWN. I am not mining, sir. I am dealing in mica in North Carolina; but I represent a lot of the small miners down there. They are almost all men of small means, ranging from $100 to $1,000; that is about what they operate on.

Mr. GRIGGS. Are they making any money?

Mr. BROWN. None at all lately, sir.

Mr. GRIGGS. How lately?

Mr. BROWN. Within the last twelve months. There are one or two men who have been operating and making a little money; yes, sir.

Mr. GRIGGS. Prior to the last twelve months they did make money?

Mr. BROWN. No, sir; only one or two of them. I am a dealer. I am not a miner at all, sir, at present.

Mr. GRIGGS. They were the only ones who knew how to make money, were they not?

Mr. BROWN. They were the only ones who happened to strike a rich enough pocket so that it paid them at that time.

The ACTING CHAIRMAN (Mr. Dalzell). Proceed, Mr. Brown.

Mr. BROWN. There has been a suggestion made here to the effect that a specific duty on mica take the place of the 20 per cent or the 40 per cent ad valorem, and I have here just a short note of how that might be done, although we would prefer to have the 40 per cent ad valorem, because that would cover it. And for fear that idea will prevail, I should like to put this in as a suggestion of how it could be done as a specific duty. [Reading:]

Mica unmanufactured or roughly thumb-trimmed only——

That is a slight change; and I hope you will change the wording of that so that we will have no more dispute as to what mica shall pay 6 cents and what shall pay 12 cents. That is our only salvation. That 6 cents a pound difference is the only thing that is keeping North Carolina together. [Reading:]

6 cents per pound, and a further specific duty of 2 cents per pound for every square inch of area surface. Mica manufactured in any form—

And I want this changed so as to include cut or trimmed mica by changing those words "cut or punched."

Mr. GRIGGS. Mr. Brown, you saw those two pieces of mica held up by the gentleman just now?

Mr. BROWN. Yes, sir.

Mr. GRIGGS. Both of those pieces were square?

Mr. BROWN. Not quite square.

Mr. GRIGGS. One of those was not quite square.

Mr. BROWN. Yes, sir.

Mr. GRIGGS. Is not that just as much uncut mica as that [indicating]?

Digitized by Google

Mr. BROWN. Just as much uncut mica? No, sir; not at all. We maintain that it is not. At the time this duty was put into effect, in 1897, there was no such——

Mr. GRIGGS. It was not squared for any particular purpose?

Mr. BROWN. It is squared so as to get rid of the waste that would be on it. That is the contention of the domestic producers, that that is an evasion of the duty.

Mr. GRIGGS. It is a way of getting around paying on this much waste?

Mr. BROWN. Yes, sir.

Mr. GRIGGS. I refer to this piece here.

Mr. BROWN. Yes, sir. It was the intention of the framers of that tariff to only put 6 cents a pound on that untrimmed material, and twice as much duty on the cut mica, which is like the piece you held up there a moment ago.

Mr. GRIGGS. I can not understand, unless it is prepared for the market, how it can be otherwise than uncut.

Mr. BROWN. Unprepared for the market?

Mr. GRIGGS. Yes.

Mr. BROWN. The market takes it in so many different forms, though.

Mr. GRIGGS. I understand that; but I mean unprepared—like this, for instance [indicating].

Mr. BROWN. Well, sir, they are bringing in mica to-day cut exactly like that as "uncut mica," by leaving a scribe mark around the edge to indicate to the appraiser that it still has to be cut again, and they are not actually cutting it again. They are shipping it direct to the electrical manufacturers.

Mr. GRIGGS. The only question in the whole matter, it seems to me, would be whether it had to be cut again or not.

Mr. BROWN. It does not necessarily have to be cut again. It may be in one or two instances or it may not be; and they are bringing it in under the duty of 6 cents a pound, and that is the reason our domestic people who handle this mica wish to have that clause made definite as to what it shall be. If you see fit to do so, make it 1 cent a pound; but make it definite, so that we will know what we are competing against. We do not know now whether we can quote a man on the basis of a 12-cent duty or a 6-cent duty when we are competing with an importer, and he "gets" us every time. So, to make it plainer, we suggested in that paper and in this paper:

"Mica manufactured in any form, cut or punched, or trimmed in or to any shape or any pattern, or split to a thickness of less than five one-thousandths of an inch, 12 cents per pound."

Then they can not evade the duty as they are now doing, to the extent of the difference between 6 and 12 cents.

Mr. GRIGGS. I can understand how that would be important.

Mr. BROWN. Yes, sir. I hope you gentlemen will think seriously of that matter, because that is the only thing that has kept the trade up—that 6 and 12 cents a pound. The 20 per cent ad valorem duty has not amounted to anything. They have evaded it one way or the other, until it does not amount to anything; and that is one reason why we would like to have it a specific duty equal to the 20 per cent ad valorem that we had before, but to have the specific duty worded

Digitized by Google

in such a way that any appraiser could appraise the true value. Then we would know exactly that he was paying his duty, and we could bid on that price; but we can not do it to-day because we do not know where we are. [Reading:]

And a further specific duty of 4 cents per pound for every square inch of area surface.

That 4 cents above the 2 cents would take care of the labor which we have to pay from 15 to 25 cents a pound for cutting it.

Mr. GRIGGS. Do you know anything about the freight rate from India to New York?

Mr. BROWN. I have not actually seen it in writing, sir; but it is from 15 to 25 cents per 100 pounds.

Mr. GRIGGS. And a dollar and a half from North Carolina?

Mr. BROWN. As a matter of fact, sir, it is $3.20 for all of our cut mica to New York; but it only ought to be $1.08.

Mr. GRIGGS. One dollar and 8 cents?

Mr. BROWN. Yes, sir; that is a discrimination.

Mr. GRIGGS. That is only the first-class rate?

Mr. BROWN. One dollar and 8 cents is the first-class rate.

Mr. GRIGGS. I say, that is only the first-class rate?

Mr. BROWN. No, sir; the Southern Railway charge us three times first class on mica down here, but the railroads up here charge only first class; so that these importers have another point there that has not been brought before you, because it is a railroad matter.

Mr. GRIGGS. You had better get after them.

Mr. BROWN. We are after them, sir; but they have been ahead of us a long time.

Mr. COCKRAN. I hope you may overtake them.

Mr. GRIGGS. Yes, sir.

ASHEVILLE (N. C.) MICA CO. FILES SUPPLEMENTAL BRIEF OPPOSING ANY REDUCTION OF TARIFF ON MICA.

ASHEVILLE, N. C., *November 28, 1908.*

CHAIRMAN COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

DEAR SIR: On behalf of the mica miners in the Southern States, and after hearing the requests and arguments of the importers and built up mica (micanite) manufacturers to your committee to put on the free list or materially reduce the duty on the Canadian amber mica, we wish to add to our statements made to you and to the brief we filed the following facts:

The Canadian amber mica is used entirely in the electrical trade and in this line competes, under the present tariff, successfully with the domestic mica. For only one particular electrical purpose is it essential and better than the domestic mica. This is for insulation between the copper bars in commutators. For all other insulation the domestic production is being used successfully. This variety of mica (Canadian amber) is found in large, usually rich, pockets in soft rock, and is mined generally in open quarry work, so that it is very much more cheaply produced than the domestic variety, with wages about the same. As the principal mines in Canada are owned by

Digitized by Google

the larger electrical manufacturing companies. The larger importers of mica and the micanite (built up mica) manufacturing companies or by parties largely interested in these companies. Any reduction of the present tariff would be to their interest without reducing the price of the article in which it was used by any appreciable amount. There would be a great loss of revenue to the United States Government, and the mica produced in the United States would be driven entirely out of the electrical trade.

We trust therefore you will give full consideration to the plea we have made in the interest of the American miner for protection, both as against the Canadian amber product, as well as the product of India.

Yours, respectfully,

ASHEVILLE MICA COMPANY,
GREAT SOUTHERN MICA COMPANY,
W. VANCE BROWN,
B. C. GRINDSTAFF.

WARREN W. MOOREHEAD, ANDOVER, MASS., OPPOSES THE REDUCTION OR REMOVAL OF MICA DUTY.

ANDOVER, MASS., *November 27, 1908.*

Hon. WILLIAM K. PAYNE,
Clerk Committee of Ways and Means, Washington, D. C.

DEAR SIR: As a geologist I have been all over the New Hampshire mica belt on foot and am familiar with the industry. The American mines (including not only North Carolina, but New Hampshire, South Dakota, and Colorado) are conducted by small companies. These produce considerable revenue for their stockholders, and the landowners, chiefly native mountaineers of original American stock, profit to considerable extent. At the present duty on manufactured and unmanufactured mica these miners and landowners are able to hold their own in the four or five mica districts of the United States. As to the total number of persons so employed I could not state precisely, but opine that 3,000 or 4,000 are so engaged. The total value of the industry is something like $1,000,000 per year. It is truly a small American industry and deserving of support by retaining the present duty on mica.

So far as my travels extend through the mica belt the people and the miners both are all in favor of the duty. The only opposition is from powerful corporations, such as the General Electric Company and the Westinghouse interests. At least so men of these companies informed me last summer.

All of us who are interested in this industry are agreed in the belief that removal of the duty will cause every American mine to cease operations, for our people can not compete against the natives of India. Removal of the duty will please the two large electrical companies and the British owners of the Indian mines.

Respectfully submitted.

WARREN K. MOOREHEAD.

Digitized by Google

HON. H. S. BOUTELL, M. C., SUBMITS LETTER OF GEORGE D. MILES, NEWDALE, N. C., RELATIVE TO MICA.

NEWDALE, N. C., *December 2, 1908.*

Hon. H. S. BOUTELL,
Washington, D. C.

MY DEAR SIR: I take the liberty of writing you in regard to the duty on mica. It is not as high as in my judgment it should be. There was $1,000,000 produced in this country in 1907, and $2,000,000 imported. The duty is too low and is also evaded. I am a Chicago man engaged here in mica mining, and we have to pay almost ten times as much for laborers here as they do in India, from which country large quantities of mica are imported. I have received letters from the solicitor of the customs department at New York asking if I would appear before the board of appraisers to explain the difference between cut and uncut mica, and in his letters he said there was no provision for expenses, and I would have to bear my own. I have agreed to go on to New York or Boston at any time upon ten days' notice. Now that the popular demand is for tariff revision and the duty will have to be reduced on some articles, it seems to me it would be nothing more than just to raise it on mica, as it must be raised on some articles in order to meet the requirements of the Government. If this should appeal favorably to you and you desire any information which it is in my power to give, do not hesitate to write me, and I will cheerfully comply. Don't you think we done well in electing three Republicans to Congress and cutting down the Democratic majority in this rock-bound old State?

Yours, truly, GEO. D. MILES.

A. O. SCHOONMAKER, NEW YORK CITY, THINKS THAT THE PRESENT TARIFF ON MICA SHOULD BE REDUCED.

NEW YORK, *December 17, 1908.*

CHAIRMAN WAYS AND MEANS COMMITTEE,
House of Representatives, Washington, D. C.

DEAR SIR: I am an importer of both Canadian amber mica and India white mica; I am also a dealer in white mica mined in New Hampshire and North Carolina. I am not interested, either directly or indirectly, in any mines in Canada, India, or in this country, simply acting as a merchant, buying and selling.

My business is principally with the electrical trade; I find that this trade requires mica with certain qualities which are found more largely in the white India and the Canadian amber mica, and, naturally, prefer these micas, and will, as a rule, pay higher prices for these micas in preference to the domestic mica.

I believe that there should be a uniform duty on all mica imported into the States, either from India or from Canada. I admit that amber mica is not found, except in very small quantities, in the States, and that we must depend upon Canada for this mica; but even if it were necessary for the electrical manufacturers to have amber mica for their use, I do not believe it would be wise to allow it in free of duty, as there is considerable mica mined in Canada of a very light color. This is called amber, but it would pass as white mica, and come into competition with our domestic mica; then there would be constant

Digitized by Google

difficulties to the customs in deciding which was amber and which white mica, causing constant disputes over this question. There would also be the danger of mica shipped from India to Canada and brought into this country free of duty; so I ask that a duty be laid on all Canadian mica, either white or amber. If duty should be removed from amber mica, then I think that all mica, no matter what its color or its source, should be entered free—there should be no discrimination.

I think it is generally admitted that India mica should be subject to a duty. I will pass over that.

As stated above, I think that a duty should be laid on all mica imported into the States, but I think that it should be at a lower rate than the present tariff; I believe in a specific duty on mica, omitting the present ad valorem duty. This latter is a source of disputes, as it is difficult to establish a market value, as the price of mica depends upon its size. So I think that the specific duty should vary as the size; the larger sheets of mica, being the more expensive, should bear the higher rate.

I would suggest the following: On all uncut mica—that is, mica in irregular shapes, whether it is thumb trimmed, knife trimmed, or sickle trimmed (terms that are known to the trade), but that is not cut to any exact size—if it will cut 6 to 12 square inches, 5 cents per pound; if it will cut 11 to 15 square inches, 10 cents per pound; if it will cut 16 to 25 square inches, 15 cents per pound; if it will cut 26 to 35 square inches, 20 cents per pound; if it will cut 36 square inches and over, 25 cents per pound.

The above would be about what the present ad valorem duties are and would mean a reduction of about 6 cents per pound, the present specific duty.

On all mica that may be cut to any exact size—by exact size I mean a definite size, such as 2 by 3 inches, $2\frac{1}{16}$ by $3\frac{1}{16}$ inches, etc., in which all the sides are cut at right angles to each other—on all mica that may be cut in rectangular form, having special reference to mica known in the trade as "square-trimmed mica," on any mica that is cut or stamped to any pattern or to washer or disk form, if it will measure 6 to 10 square inches or under, $7\frac{1}{2}$ cents per pound; 11 to 15 square inches, 15 cents per pound; 16 to 25 square inches, $22\frac{1}{2}$ cents per pound; 26 to 35 square inches, 30 cents per pound; 36 square inches and over, 40 cents per pound.

On mica films or splittings, the same duty as on cut mica.

On powdered mica, 3 cents per pound.

Very respectfully, yours,

A. O. SCHOONMAKER, *Importer.*

C. W. BURLESON & SON, PLUMTREE, N. C., CLAIM THAT THE PRESENT DUTY ON MICA SHOULD BE RETAINED.

PLUMTREE, N. C., *December 10, 1908.*

WAYS AND MEANS COMMITTEE,
Washington, D. C.

GENTLEMEN: We write to say that if the tariff is lowered or taken off of mica great harm will be done the poor class of people in western North Carolina and other southern sections that produce mica.

Digitized by Google

We trust you will use your influence to have the tariff on mica retained at its present mark.

In most cases the producers of mica are of the poorer class, while those consuming it are in most cases the money class, and for this reason, if for no other, we trust the tariff may be retained.

Yours, truly,

C. W. BURLESON & SON.

WATSON BROTHERS, BOSTON, MASS., SUBMIT STATEMENTS RELATIVE TO CHANGE OF RATES ON MICA.

BOSTON, MASS., *December 18, 1908.*

WAYS AND MEANS COMMITTEE,
House of Representatives, Washington, D. C.

GENTLEMEN: Ranking probably second largest importers of raw mica for general trade, we desire to go on record as follows in the matter of purposed tariff revision as applied to paragraph 184, act 1897, which relates to mica:

1. We favor the removal of ad valorem duty of 20 per cent.
2. We favor the retention of the present specific rates, namely, 6 cents per pound on uncut mica and 12 cents per pound on cut mica.

Our reasons for favoring the removal of ad valorem rate of 20 per cent are:

(*a*) Ad valorem duty is primarily intended for protection of the domestic article. Facts prove that domestic production has not been materially aided nor increased. Those operators desiring to sell stock certificates naturally favor the duty. Domestic supply can not meet demand. The mica does not rank first class in all respects. Deposits of desirable paying mica are scarce in United States of America, as thorough search proves. Protection can not alter fact.

(*b*) Market value to which ad valorem duty relates is a fluctuating factor. Customs authorities use methods to determine same, and are many times far remote from true value. Purchase price ought to constitute the base upon which ad valorem duty be assessed. Because it is not results in the maintenance of a board of appraisers, and they are overcrowded with protests and reappraisements annually. These in the larger part relate to the question on what should ad valorem duty be levied. This system is a heavy expense on the Government; also puts the importer at considerable loss of time, expense, and he has to wait for a decision before he can secure the merchandise involved. The fact that one merchant may sell at different prices to different buyers, whose financial standings may differ, seems not to be considered at all, nor that one buyer may be able to trade better than another.

(*c*) Specific duties of 6 cents per pound and 12 cents per pound, as stated above, return to the Government a fair revenue and an equitable one to the importer, and fulfills the purpose of a specific duty. Protection is not required as far as mica is concerned in this country. Costs of production, etc., need no comment here. Domestic mica has not been bettered by the ad valorem duty in the present tariff, and, furthermore, consumers will continue to demand and to use foreign mica on account of quality and quantity and dependable supply thereof, as the past proves.

Respectfully,

WATSON BROS.,
Importers of Mica.

SUPPLEMENTAL BRIEF FROM WATSON BROTHERS, BOSTON, MASS., RELATIVE TO DUTY ON MICA.

BOSTON, MASS., *December 21, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
Washington, D. C.

DEAR SIR: Confirming our telegram of even date we respectfully request that we be allowed to submit personal testimony before the committee on the subject of mica. The statements in regard to domestic mining made to the committee thus far are made somewhat biased in face of the fact that the present schedule has not aided it. Nor can it be because the deposits are lacking. Mica mining in this country consists of mining feldspar and quartz to get some mica. Labor can not change that. Protection with a higher duty can not either. The testimony of Mr. L. W. Kingsley has more fact and truth to it in that connection than all other. Stock promoters are interested only to sell stock. Patriotism for domestic production represents a minute quantity. To base duty on larger sizes, or even on gradings would make just as much trouble for customs as represented to be at the present time. No two operators grade mica alike, it is not standard. This country has not and can not produce the equal in size or quality of the large grades imported from India. The bulk of domestic mica is used for punching purposes and grinding. We have had experience in both lines and know. The mica demanded by stove manufacturers must be clear and cut to exact sizes as required to fit their stoves and the chief point to bring out is the demand that domestic mica has never nor ever will supply. India mica is the more desirable, with a slight exception. Quantity rules and likewise dependable supply.

The argument that the miner does not know what he competes with, as far as duty is concerned, when making quotations, seems to be a poor business argument. Selling prices are naturally based on cost in the first instance. What difference does it make to a miner in North Carolina if he knows his costs?

Cut mica is mica cut to geometric size or sizes. That is the way the trade knows it and has known it and the way India knows it. Uncut mica is mica with the rough circumferences removed. In Bengal district in India this is done by use of a sickle, beveling an edge at an angle of about 45 degrees. In Madras district, India, the manner is altered by using shears or the type of card knife used in bookbinderies in this country. The rough edges are thus removed by a straight cut, and the resultant is a piece with a semirectangular shape, though not to exact dimensions. Inclosed find samples marked "A" and "B." A shows Bengal method, and B shows Madras method. The uncut mica from Madras has to be recut to size or sizes as well as the mica from Bengal. It simply saves the importer from paying on so great a bulk as Bengal mica with the natural shape of the crystal from which the sheet is taken.

Amber mica can be brought in competition with India mica and domestic mica also. There is a class of so-called amber mica found in Canada which is equal to the India product. Hence, why should it be allowed free entry? Splittings can not be made in this country, and facts of Mr. Kingsley prove it.

Mr. George B. Watson, our father, has been in the mica business longer than anyone that has testified, and also has come pretty near

Digitized by Google

teaching a few of them the first rudiments of the business, and we should like the committee to hear him on the subject as relating to domestic mining in all respects, and also as to imported mica and facts related thereto. He has been abroad and has not been available. We did not know that there had been a special date set for hearing the mica question or otherwise we should have appeared, and we stand as large importers.

For ourselves, we should like to offer testimony re the importations of mica and classifications thereof by customs. In Mr. Grindstaff's testimony the reference contained in Mr. Kemp's communication is evidently directed our way, as we had a hearing at board of appraisers recently, when the Government produced as witnesses the entire delegation that appeared before the committee with one exception. And there took place another semitariff hearing that day.

Trusting that we may receive the indulgence of the committee and have an opportunity to appear ourselves and to have Mr. George B. Watson also, we remain,

Respectfully, WATSON BROTHERS,
Importers of Mica.

N. B —We append below a copy of figures taken from Imports of Merchandise into the United States, as issued by Department of Commerce and Labor, for year ending June, 1907.

Imports of mica year ending June, 1907.

	Pounds.	Value.	Duties.	Value per unit of quantity	Ad valorem rate of duty.
					Per cent.
Uncut mica	3,110,029.50	$1,116,320.25	$409,865.81	$0.359	36.72
Cut mica	99,335.00	73,364.00	26,593.01	.739	36.25

STATEMENT OF C. W. JEFFERSON, REPRESENTING THE MICA INSULATOR COMPANY, SCHENECTADY, N. Y., RELATIVE TO MICA AND MICANITE.

Mr. CLARK. Where do you live and whom do you represent?

Mr. JEFFERSON. I live at Schenectady, N. Y., and represent the Mica Insulator Company.

The CHAIRMAN. Of New York City?

Mr. JEFFERSON. Yes, sir.

Mr. COCKRAN. What is the paragraph in which you are interested?

Mr. JEFFERSON. Paragraph 184, Schedule C.

Paragraph 184. Mica, unmanufactured, or thumb trimmed only, 6 cents per pound and 20 per centum ad valorem; mica, cut or trimmed, 12 cents per pound and 20 per centum ad valorem.

This section of the law not only governs the duty on mica in the rough and on mica cut or trimmed to size, but on manufactured products into which mica in one form or another largely enters.

Two or three years before the above law came into force methods were devised in this country to use mica sheets of small size and of

Digitized by Google

relatively small cost for the building up of larger sheets, which took the place of the large, costly sheets of natural mica which had previously been employed.

This business of employing small sizes of mica and building them up into larger sheets has assumed considerable proportions and is now regarded as one of the most valuable features in electrical engineering. Fully 5,000 people are at present employed in the United States in converting small sheets of mica into larger ones, which are used in the manufacture of electrical dynamos, motors, transformers, etc.

The material manufactured in the method above described is universally known under the name of "micanite," and the various forms that this material is made into is legion.

Other countries, viz, Germany, England, France, Switzerland, and Canada, have adopted the methods which were devised in the United States, and are now shipping their product into this country in successful competition with the manufacturers here.

That part of paragraph No. 184 reading "Mica, cut or trimmed, 12 cents per pound and 20 per cent ad valorem," has covered the importations that have been made of these manufactured products, but they are far removed from the raw materials which enter into their construction.

The word "micanite" is now generally used both in the United States and in Europe as covering built-up mica articles for electrical purposes.

The mica entering into the manufacture of micanite is mostly covered by the first section of paragraph No. 184—"Mica, unmanufactured or rough trimmed only, 6 cents per pound and 20 per cent ad valorem."

The quality of mica which is essential for quite a large proportion of micanite used in electrical machinery has to be of a very soft nature, and is known as "amber" mica. The only region where this particular mica has been found is in Quebec and Ontario, and no matter what the price and what the duty this mica has to be imported, for no workable veins have been found in the United States.

The duty imposed upon this mica has been a very serious drawback to the development of the business, and has made it impossible to export the articles which have to be made from this particular kind of mica.

A large proportion of the rest of the mica entering into the manufacture of micanite is imported from India. This India mica is imported on account of its degree of hardness, standing about midway in this respect between the mica mined in Canada and mica mined in the United States. The better cleavage of the India mica is also very essential for the success of the economical manufacture of micanite.

The grades of mica entering into the manufacture of micanite are mostly the No. 6, No. 5, and No. 4 from India, and the 1 by 1, 1 by 2, 2 by 3, and the 3 by 4 from Canada. I have samples of all these various grades which are imported; and it is upon these grades or sizes the disproportionate specific duty of 6 cents per pound bears most heavily.

The duty as it at present stands is such that it is impossible to make exportations, and it is also a serious handicap to the manufacturers

Digitized by Google

of all kinds of electrical machinery who conduct an export business.

Owing to the importations of foreign manufacturers, who are able to enter their manufactured product under the same paragraph under which we have to import the raw material, this industry in the United States is in a precarious condition.

The foreign manufacturers pay duty only on the actual weight of the completed articles, while the manufacturers of this country have to pay duty not only on the mica contained in the articles but also on the mica which is wasted in the process of manufacture. This feature of the situation we urgently desire you to make note of, and on that point we submit for the elucidation of the same samples of the raw mica, samples of the mica made into large plates known under the name of "micanite," and pieces of micanite plate cut into various shapes such as is used in the manufacture of electrical machinery and which are imported from foreign competitors.

Exhibit 5—if I may be allowed to show you an exhibit [showing exhibits to committee]—is a micanite commutator segment, part of an electrical machine. One of these samples is from Canada and from India. The duty paid by us on the mica contained in this segment was $0.234 per pound; the duty paid by the foreign competitor on the completed article, $0.24.

Exhibit 6, a similar commutator segment: The duty paid by us, $0.246 per pound, and the duty paid by our foreign competitors, $0.24 per pound. Our labor entering into the manufacture of these segments is double that of similar segments made in Germany and more than one-half greater than in similar segments made in England. The waste in mica entailed in the manufacture of Exhibits No. 5 and No. 6 is approximately 50 per cent.

We also submit Exhibits No. 2 and No. 4, samples of micanite plate, amber or Canadian mica, and India mica, respectively.

This is the main part of the product before it is cut into segments in various forms [indicating]. The waste in manufacturing micanite in this form ranges from 20 to 25 per cent.

The present specific duty makes no distinction between the small and the large sizes of mica entering into the manufacture of articles made of mica.

The specific duty varies from 5 per cent to 150 per cent according to the size of the sheets of mica. The present duty bears most heavily upon the electrical industry which consumes the greater part of the smaller sizes of mica.

We pray for the elimination of the specific duty of the 6 cents a pound "on mica unmanufactured."

We pray for an additional clause specifying an ad valorem duty on manufactured mica articles sufficient to enable us to overcome any duty there may be on the raw material, and also to enable us to overcome the difference in the price of labor between the United States and foreign countries.

Mr. DALZELL. You want to put it on the free list?

Mr. WASHBURN. We want a 20 per cent ad valorem, cutting off the specific duty of 6 cents per pound.

Mr. HILL. Have you ever bought any Canadian mica and shipped it across the border?

Mr. JEFFERSON. No, sir; our firm has not.

Digitized by Google

Mr. HILL. Have you had any experience with the waste piles?

Mr. JEFFERSON. I know a great deal about the waste piles. I have had some experience with them in this country.

Mr. HILL. If your suggestion is adopted the American manufacturer could avail himself of the waste piles, could he not, at the 20 per cent ad valorem where that is absolutely impossible with 6 cents a pound and 20 per cent ad valorem?

Mr. JEFFERSON. We are forced to buy mica from the waste dumps in Canada because we must have that quality of mica.

Mr. DALZELL. What is the annual consumption of unmanufactured mica in this country?

Mr. JEFFERSON. The amount of mica produced in this country during the year 1907 was a little over 1,000,000 pounds.

Mr. DALZELL. And how much was imported?

Mr. JEFFERSON. About 3,500,000 pounds. Although the price has been high, we have had to get the mica from abroad both on account of the quality and on account of the small supply here in this country.

Mr. COCKRAN. Suppose you were granted this concession in the first paragraph and the 6 cents specific duty were eliminated, what rate of duty would you think should be applied to the manufactured article?

Mr. JEFFERSON. I should say 60 per cent without the specific duty of 12 cents a pound.

Mr. UNDERWOOD. Your position is that you want a reduction of the duty on the raw material and a raising of the duty on the finished product?

Mr. JEFFERSON. Yes, sir; exactly.

Mr. COCKRAN. You are generous.

Mr. BOUTELL. Is not this same material used very largely in stoves?

Mr. JEFFERSON. Yes, sir. The mica used in stoves is mined in this country. It is hard and clear and on that account is hardly adaptable for most electrical purposes.

Mr. COCKRAN. It is used for insulation, I suppose.

Mr. JEFFERSON. It is used for insulation; yes.

Mr. UNDERWOOD. The basis of your argument for this reduction on the raw mica and the unfinished product is the development of the electrical industry?

Mr. JEFFERSON. Exactly.

Mr. UNDERWOOD. If you increase the specific duty on the manufactured product, that is rather against the very proposition you are arguing for, is it not? If you increase the duty on the manufactured product to the people who are in the business of making manufactured mica and want to use it in electrical machines, that works against the very reason why you argue we ought to take the duty off on the other, does it not?

Mr. JEFFERSON. If we do not have some protection we can hardly compete with the foreign manufacturer at the present time on account of the price of labor in Germany and also in England.

Mr. UNDERWOOD. Are you not doing so to-day?

Mr. JEFFERSON. We are to a certain extent; but we are being cut into very rapidly at the present time.

Mr. CLARK. Mr. Witness, do you think that any sort of a tariff that could be devised would really increase the output of American mica very much?

Digitized by Google

Mr. JEFFERSON. I do not believe so.

Mr. CLARK. And therefore your argument is addressed to this electrical matter?

Mr. JEFFERSON. Yes.

Mr. CLARK. There is plenty of mica in the United States if it were only accessible, is there not?

Mr. JEFFERSON. If it were accessible, and if the veins were large enough to make it profitable to mine. The mining in this country has not been profitable, except on very rare occasions.

Mr. CLARK. That is what I thought. That is the reason I asked.

THE MICA INSULATOR CO., SCHENECTADY, N. Y., SUGGESTS NEW CLASSIFICATION FOR MICA AND MANUFACTURES OF.

SCHENECTADY, N. Y., *December 4, 1908.*

SERENO E. PAYNE, Esq.,
Chairman Committee on Ways and Means,
House of Representatives, Washington, D. C.

DEAR SIR: Re Schedule C, "Metals and manufactures of mica," proposed change in paragraph 184, page 24, of the tariff on imports into the United States and the free list as contained in act of July 24, 1897. We beg to submit the following changes in the wording of this paragraph. We have endeavored to give ample protection to the United States miners, and at the same time to protect the manufacturing interests of the country.

We would desire to draw the committee's attention to the fact that for one person who is mining mica in the United States there are five employed in converting the raw mica into salable articles in the United States.

The business of manufacturing is in a precarious condition owing to the importations of foreign manufactures into this country under the clause as it now stands.

It is impossible for us to hold our business under the present circumstances, and the only reason why we have not been deprived of our present business is because we are able to fill our orders with quicker dispatch, and that we are better acquainted with the actual requirements of the United States manufacturers of electrical machinery, but this advantage under natural causes can not be of long duration.

Proposed section 184:

(A) Mica, unmanufactured, containing more than ten square inches in area, any thickness, cut to square, rectangular, or special pattern, or cut with two sides parallel to each other, twelve cents per pound and twenty per centum ad valorem.

(B) Mica, unmanufactured, containing ten square inches or less in area, any thickness, cut to square, rectangular, or special pattern, or cut with two sides parallel to each other, six cents per pound and twenty per centum ad valorem.

(C) Mica, unmanufactured, containing more than ten square inches in area, any thickness, in rough-trimmed, thumb-trimmed, and irregular knife-trimmed shapes, six cents per pound and twenty per centum ad valorem.

(D) Mica, unmanufactured, containing ten square inches or less in area, any thickness, in rough-trimmed, thumb-trimmed, and irregular knife-trimmed shapes, free.

(E) Mica, manufactured, in any form where the finished or partly finished article contains one or more substances other than mica, sixty per centum ad valorem.

Respectfully submitted.

MICA INSULATOR COMPANY,
C. W. JEFFERSON, *Manager.*

Digitized by Google

C. W. JEFFERSON, REPRESENTING THE MICA INSULATOR CO., SCHENECTADY, N. Y., SUBMITS AN ADDITIONAL STATEMENT RELATIVE TO MICA AND MICANITE.

SCHENECTADY, N. Y., *December 24, 1908.*

SERENO E. PAYNE, Esq.,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D. C.

DEAR SIR: Re Schedule C, "Metals and manufactures of mica," paragraph 184, page 24, of the tariff on imports into the United States in act of July 24, 1897. In further support of my argument that the present duty on the small sizes of mica which are used in the electrical industry should be greatly reduced, and in answer to the increase proposed by Mr. Herbert H. Ward:

Before the invention of micanite, which was invented and developed in the United States in 1892, there was no demand for the small sizes of mica which are now used in the electrical industry. The mica was a waste product, and it was thrown out onto the dumps at the mouths of the mines.

The insulating virtue of this mica when made into micanite was quickly recognized, and enabled the manufacturers of electrical machinery to accomplish the insulating of high potential conductors in a manner which was not previously thought possible, and micanite has played no small part in bringing electrical engineering to its present high stage of development.

The invention of micanite created a demand for what was then called "waste mica," and the mica has increased in value several hundred per cent, and this increase in value, together with the present enormous duty has been a heavy burden, not only on the manufacturers of micanite, but also upon those in this country who consume the material.

There is no patent upon the material micanite, the patent being one of method only, consequently the manufacturers in this country have had no protection in this respect from foreign manufacturers.

The process patent above referred to has only ten more months of life, after which the business will be open to anyone who cares to enter the field. There are fully 5,000 persons employed in the United States in the manufacture of micanite—quite five times as many as are employed in mining mica.

The mica crystals for micanite have to be thoroughly trimmed and all the poor, defective mica on the edges trimmed off, the ultimate shape of the crystal being of a round or oval form. These trimmed mica crystals have to be split up into laminations of about one one-thousandth of an inch in thickness, and from these elementary thin scales, as they might be called, micanite is made by a building-up process, the various scales being held together with a suitable cement. The material in its finished state is in a flat form—large sheets or plates of any necessary size. These plates can be molded into a variety of forms suitable for electrical machines.

There was no suitable supply of this raw mica for making micanite in the United States, and we were compelled to enter into negotiations with importing houses to procure a supply of amber from Canada and India mica from India.

Digitized by Google

If there had been no duty on the raw mica and the raw splittings entering into the United States from both Canada and India, it would have been possible to build up a large export business in micanite, and with the longer experience we have had over foreign manufacturers, we would have been able to maintain our position. The present duty has been too great a burden to overcome, and what with their cheaper mica splittings and the cheaper labor, these foreign manufacturers are now knocking loudly at our door instead of the United States at theirs.

I give below two tables—one showing the cost of the various kinds of mica entering into the manufacture of micanite, their cost at shipping point, their present duty, the percentage of the present duty, the total cost of the mica in the United States, and also what the duty and the percentage would be under the proposed change in duty. One table is for the mica, knife trimmed, and the other for the mica split into thin splittings suitable for making micanite.

The grades mostly used for making micanite are No. 6 India splittings and the 1 x 3 amber splittings. The present duty on the No. 6 is 70 per cent of the price at shipping point; the proposed duty on this grade is 140 per cent. The present duty on the 1 x 3 amber splittings is 35.3 per cent, and the proposed duty 70.7 per cent. Roughly speaking, the raw mica entering into the manufacture of micanite costs us almost double what it does foreign manufacturers of micanite.

I also beg to draw your attention to a letter I wrote to you on December 4, outlining the wording of a revision of section 184, Schedule C.

Trusting that you will grant us the relief we pray for, we are,

Yours, very truly,

MICA INSULATOR COMPANY,
C. W. JEFFERSON, *Manager*.

Splitting.

	No. 5 India, present duty 6 cents specific and 20 per cent ad valorem.	No. 5 India, proposed duty 12 cents specific and 40 per cent ad valorem.	No. 6 India, present duty 6 cents specific and 20 per cent ad valorem.	No. 6 India, proposed duty 12 cents specific and 40 per cent ad valorem.	1 by 1 amber, present duty 6 cents specific and 20 per cent ad valorem.	1 by 1 amber, proposed duty 12 cents specific and 40 per cent ad valorem.	1 by 2 amber, present duty, 6 cents specific and 20 per cent ad valorem.	1 by 2 amber, proposed duty 12 cents specific and 40 per cent ad valorem.	1 by 3 amber, present duty 6 cents specific and 20 per cent ad valorem.	1 by 3 amber, proposed duty 12 cents specific and 40 per cent ad valorem.
Price of splittings at shipping point	$0.24	$0.24	$0.12	$0.12	$0.24	$0.24	$0.29	$0.29	$0.39	$0.39
Specific duty per pound	.06	.12	.06	.12	.06	.12	.06	.12	.06	.12
Ad valorem duty per pound	.048	.096	.024	.048	.048	.096	.058	.116	.078	.156
Total duty per pound	.108	.216	.084	.168	.108	.216	.118	.236	.138	.276
Freight and charges estimated	.012	.012	.012	.012	.012	.012	.012	.012	.012	.012
Cost in United States	.36	.468	.216	.30	.36	.468	.420	.538	.540	.678
Percentage of total duty to price, per cent	45	90	70	140	45	90	40.6	81.3	35.3	70.7

Digitized by Google

Knife trimmed, India and amber, black mica.

	Grade No. 4 India, present duty 6 cents specific and 20 per cent ad valorem.	Grade No. 4 India, proposed duty 12 cents specific and 40 per cent ad valorem.	Grade No. 3 India, present duty 6 cents specific and 20 per cent ad valorem.	Grade No. 3 India, proposed duty 12 cents specific and 40 per cent ad valorem.	Grade No. 6 India, present duty 6 cents specific and 20 per cent ad valorem.	Grade No. 6 India, proposed duty 12 cents specific and 40 per cent ad valorem.	1 by 1 amber, present duty 6 cents specific and 20 per cent ad valorem.	1 by 1 amber, proposed duty 12 cents specific and 40 per cent ad valorem.	1 by 2 amber, present duty 6 cents specific and 20 per cent ad valorem.	1 by 2 amber, proposed duty 12 cents specific and 40 per cent ad valorem.	1 by 3 amber, present duty 6 cents specific and 20 per cent ad valorem.	1 by 3 amber, proposed duty 12 cents specific and 40 per cent ad valorem.
Price of mica at shipping point	$0.30	$0.30	$0.14	$0.14	$0.06	$0.06	$0.03	$0.03	$0.10	$0.10	$0.20	$0.20
Specific duty per pound	.06	.12	.06	.12	.06	.12	.06	.12	.06	.12	.06	.12
Ad valorem duty per pound	.06	.12	.028	.056	.012	.024	.006	.012	.02	.04	.04	.08
Total duty per pound	.12	.24	.088	.176	.072	.144	.066	.132	.08	.16	.10	.20
Freight and charges, estimated	.012	.012	.012	.012	.012	.012	.012	.012	.012	.012	.012	.012
Cost in United States	.432	.552	.240	.328	.144	.216	.108	.174	.192	.272	.312	.412
Per centage of total duty to price ..... per cent	40	80	62.8	125.7	120	240	220	440	80	160	50	100

STATEMENT MADE BY F. W. WEBSTER, OF BOSTON, MASS., REPRESENTING THE AMERICAN MICA COMPANY.

FRIDAY, *November 27, 1908.*

Mr. CLARK. Where do you come from, Mr. Webster?

Mr. WEBSTER. From Massachusetts.

The CHAIRMAN. Mr. Webster is from Boston, Mass., and represents the American Mica Company. Proceed, Mr. Webster.

Mr. GRIGGS. Are you engaged, Mr. Webster, in the manufacture of mica?

Mr. WEBSTER. Yes, sir.

Mr. GRIGGS. How long have you been so engaged?

Mr. WEBSTER. In manufacturing mica?

Mr. GRIGGS. Yes.

Mr. WEBSTER. In 1904 we started in the manufacture of micabestin material, and in 1892 we manufactured from raw mica.

Mr. GRIGGS. Is your business paying?

Mr. WEBSTER. It has not during the past year.

Mr. GRIGGS. Did it before that?

Mr. WEBSTER. It did in 1906.

Mr. GRIGGS. Did it in 1907?

Mr. WEBSTER. We came out about even in 1907; but we expect to go a long way the other way this year.

Mr. CLARK. What was the first year that you had a fair trial of this business?

Mr. WEBSTER. 1906 was our best year.

Mr. CLARK. How much did you make that year on your investment?

Mr. WEBSTER. About 50 per cent.

Mr. CLARK. Fifty?

Digitized by Google

Mr. WEBSTER. Yes, sir.

Mr. CLARK. Taking it for granted that under the benign influence of this bill that we are going to get out you will prosper as you did in 1906, a 50 per cent dividend would be a fair estimate, would it?

Mr. WEBSTER. I would not want to say. We have never paid a dividend.

Mr. CLARK. I know; but it does not make any difference what you do with your money so long as you make it.

Mr. GRIGGS. He has been in business five years and made 50 per cent.

Mr. CLARK. You made 50 per cent one year?

Mr. GRIGGS. He has been in business four years, and he has made 50 per cent in that time.

Mr. WEBSTER. That is right; sir. We lost money all the other years except 1907, and that year we came out about even.

Mr. GRIGGS. I understand; but you made 50 per cent during the four years you have been in business?

Mr. WEBSTER. Yes, sir.

Mr. GRIGGS. Since you established it?

Mr. WEBSTER. The business has been established since 1892; but in 1904 we took up the manufacture of mica.

The CHAIRMAN. Have you gentlemen satisfied yourselves now that the witness is qualified to speak?

Mr. CLARK. We just wanted to get the situation straight, so we could understand what he was going to say.

The CHAIRMAN. If you are satisfied now, you can go on, Mr. Webster.

Mr. GRIGGS. I do not think he is qualified to ask for any increase in duty.

The CHAIRMAN. You may proceed, Mr. Webster.

Mr. WEBSTER. Very well.

We submit, Mr. Chairman, the following brief upon paragraph No. 184, Schedule C (metals and manufactures), of the tariff law of 1897:

No. 184. Mica, unmanufactured, rough trimmed only, 6 cents per pound and 20 per cent ad valorem; mica, cut or trimmed, 12 cents per pound, 20 per cent ad valorem.

This paragraph relates to the importation of mica used in sheets for insulation in the electrical industry, in stove doors and other parts of stoves surrounding the fire chamber, and certain forms of lamp chimneys.

The largest part of the world's output of white mica is procured in India, and practically all of the amber mica, which is used almost exclusively in the electrical industry, is produced in Canada. No amber mica of commercial quantity has been found in the United States.

Mica from India, in the sheet, is sold largely in grades, viz, extra A 1, A 1, 1, 2, 3, 4, 5, and 6. The several grades are made up of rough-trimmed sheets of the following areas: Extra A 1, 48 square inches and larger; A 1, 36 to 48 square inches; No. 1, 24 to 36 square inches; No. 2, 15 to 24 square inches; No. 3, 10 to 15 square inches; No. 4, 6 to 10 square inches; No. 5, 3 to 6 square inches; No. 6, 1 to 3 square inches.

Digitized by Google

Amber mica from Canada varies slightly from these and is designated differently. This is known as 1 by 1, 1 by 2, 1 by 3, 2 by 3, 2 by 4, 3 by 5, 4 by 6, 5 by 8.

These grades are slightly flexible, but they generally are grades by the area, 5 by 8 grade being 40 square inches and over; 4 by 6 grade, 24 to 40 square inches; 3 by 5 grade, 15 to 24 square inches; 2 by 4 grade, 8 to 15 square inches; 2 by 3 grade, 6 to 8 square inches; 1 by 3 grade, 3 to 6 square inches; 1 by 2 grade, 2 to 3 square inches; 1 by 1 grade, 1 to 2 square inches.

At the time the present tariff bill was passed the smallest sizes of either the white or amber mica were not used to any great extent, but owing to the increased demand, especially from the electrical industry, the smaller sizes came into use, and there have been large importations of these sizes in amber mica.

The wholesale market prices in the countries from which mica is obtained vary from 5 cents to $2 per pound, and even more for specially large sizes of the finest quality. A fair average market value for rough-trimmed mica for 1907 is as follows:

India, best quality.

	s.	d.
Extra A1	12	6
A1	10	6
No. 1	8	0
No. 2	6	3
No. 3	5	0
No. 4	3	0
No. 5	1	4
No. 6	0	3½

Amber.

1 by 1	$0.05
1 by 2	.10
1 by 3	.20
2 by 3	.50
2 by 4	.60
3 by 5	.80
4 by 6	1.00
5 by 8	1.25

The present tariff, as is shown by paragraph No. 184, assesses a specific duty of 6 cents per pound, without regard to size, with a 20 per cent ad valorem duty. The ad valorem duty is especially difficult of proper administration, as the market prices vary almost daily, and frequently the assessing of this duty has resulted in one importer paying more duty on the same article than another.

Under the present tariff the ad valorem duty is assessed upon the usual wholesale price from the country from which the mica is shipped. The wholesale market prices for the same article vary in different localities. In India the price is often less than it is in London. A large proportion of the India mica is shipped to London and sold from there; thus parties buying in London market are often compelled to pay more duty than if they had purchased the goods in Calcutta, India. India is so far away that it is very difficult for the ordinary purchaser of mica to procure it in that market. There are also times in London when the market is depressed, and in order to realize on their mica it has been sold at less than it would under ordinary conditions. These sales are largely made by public auction,

Digitized by Google

and in most cases these prices have been accepted by the custom officials as the market value.

There is a class of mica imported which is practically cut mica, as it is very closely trimmed, and would make cut mica with little if any waste, and this has been classed as "mica, unmanufactured or rough trimmed."

Cut mica is obtained from the sheets, and to make 1 pound of cut mica not less than 2 pounds of rough-trimmed sheets are required, and often it takes 3 pounds.

Paragraph No. 184 specifies "Cut or trimmed mica, 12 cents per pound and 20 per cent ad valorem," but it has been accepted by the Board of General Appraisers that rough-trimmed and trimmed mica were one and the same, and a duty of 12 cents per pound has been assessed only upon mica which has been cut to actual size. At the present time there is a reclassification being heard, which has not yet been decided, as to whether cut mica does not mean the usual commercial sizes only, and not mica which may be cut to odd shapes, widths, and lengths.

I wish to call especial attention to this clause, that the classifications of mica are well understood by the trade—that is, the area of the different grades. We have been using them for a great many years, and all mica dealers know exactly what the area of any one grade is. We can tell exactly by examining a piece of mica just what grade it belongs in.

The classifications of mica are well understood by the trade, both for white and amber, and the value of the sheet or piece of mica is governed largely by its area.

Amber mica, which is produced, as previously stated, almost entirely in Canada and does not exist in commercial quantities in this country, does not compete in any way with white mica, it being used entirely by the electrical industries, and the wholesale market price for the same in Canada is more than the same grades of domestic mica are sold in the United States. Amber mica also contains certain qualities which make it necessary to the electrical industries, and it would be immaterial what duty was assessed on this kind of mica, it would have to be imported.

The mica-producing States in this country are Colorado, North Dakota, South Dakota, North Carolina, and New Hampshire. While mica is found in almost every State in the Union, up to the present time it has not been discovered in large quantities excepting in the States mentioned. In Colorado and other far Western States the freight rate has been such as to prevent the mica dealers reaching the market with their small sizes, and as mica mining can not be carried on profitably without disposing of their entire output, they have been unprofitable ventures in almost every instance in these States. North Dakota is producing some mica, but under the management of a large electrical company. Small mining ventures have not been profitable as yet.

In North Carolina and New Hampshire there exist large deposits of mica of great possibilities. Mining has not been carried on to any great extent in either of these States on what would be termed a large basis. It has been generally conducted by individuals of small capital, and this, together with the difficulty of their not understanding the product which they are producing, has in most cases

Digitized by Google

rendered the ventures unprofitable. There is, in our opinion, however, no question but what either the State of North Carolina or New Hampshire could produce all of the white mica which this country requires if the mining was conducted on a larger scale by companies having ample capital, and the only way we can see to interest capital in this country at the present time is to assess a duty on the large sizes, which would have the same effect as on the small sizes. The result of the present duty has been that all the smaller sizes of white mica—less than 3 inches in area—have been produced in this country, and also a large portion of the white mica 3 to 6 inches in area.

In view of the above, we would present for consideration the following: That the specific duty be assessed instead of specific and ad valorem, which would be the same, or approximately the same, as it is at the present time.

That trimmed mica should be classed with cut mica and not with mica unmanufactured or rough trimmed.

That the specific duty on cut or trimmed mica be twice that of unmanufactured or rough trimmed.

That the duty on amber mica should be removed and the same placed upon the free list.

As an illustration of the way the clause in the present customs tariff has been interpreted, I wish to make this exhibit. These pieces [producing pieces of mica] are taken from one crystal of mica. They were all identically of the same size, kind, and shape. That [indicating] is what is known in the trade as rough-trimmed mica; and that word has been stretched so that a mica dealer hardly recognizes it. It was first thought to mean that [indicating another piece of mica]. This being the same sheet, it was understood that that would be the piece of mica that would be rough trimmed. Later on, after a great deal of holding up by the customs officials and hearings by the Board of General Appraisers, this [indicating another piece of mica] was called "rough trimmed." Now the only thing that we have left as cut mica is this [indicating]; and even that is being questioned if it is not on the regular commercial list.

You can readily see that from this piece of mica, paying 6 cents a pound duty, you could cut that piece [indicating] and only waste a very small fraction of a per cent—probably about 5 per cent—whereas that piece would waste over 50 per cent. And it does not seem just to the mica people that we should have to compete with India mica coming in here with only that little waste.

The CHAIRMAN. Is mica generally found in pockets?

Mr. WEBSTER. It is found in veins, but the pockets run in the veins. I have here several exhibits which the committee might like to look at.

The CHAIRMAN. They are small veins, are they not?

Mr. WEBSTER. No; the veins are generally very large, but the pockets are often small.

Mr. COCKRAN. That mica [indicating] is used for stove doors, is it not?

Mr. WEBSTER. Yes; that is used for stove doors. This [indicating] is the domestic mica, rough trimmed.

Mr. COCKRAN. What is that used for?

Mr. WEBSTER. That is used for electrical purposes, and also for stove purposes, if clear. This [indicating] is Canadian amber, rough

Digitized by Google

trimmed. That [indicating] is India rough trimmed. That trimmed mica from India, now being imported, is rough trimmed.

Mr. GRIGGS. Do you not import the most of the mica you manufacture?

Mr. WEBSTER. We do; yes, sir.

Mr. UNDERWOOD. You say this last one is cut mica that comes in under the 12-cent duty?

Mr. WEBSTER. Yes; cut mica now comes in under a 12-cent duty.

Mr. COCKRAN. This is a domestic mica?

Mr. WEBSTER. Yes; you can see this in that size, probably, more readily. There [indicating] are the four grades.

Mr. COCKRAN. That is the 12-cent mica?

Mr. WEBSTER. This is the 12-cent mica.

Mr. COCKRAN. I can not very well see the difference between them myself.

Mr. WEBSTER. The difference between them is that the finished article is the one that is coming in at 12 cents.

Mr. COCKRAN. This [indicating] is the one that is coming in at 12 cents?

Mr. WEBSTER. That is the one that is coming in at 12 cents.

Mr. COCKRAN. And this [indicating] is the one that is coming in at 6?

Mr. WEBSTER. Yes, sir. They are almost identically the same thing.

Mr. COCKRAN. Yes; to me they look absolutely the same.

Mr. WEBSTER. We claim that the wording of the tariff is such that it is misinterpreted.

Mr. UNDERWOOD. Let me ask you a question on the question of trimming. Is there any great amount of labor involved in the trimming?

Mr. WEBSTER. Very little labor.

Mr. UNDERWOOD. Then there is really no reason why this distinction should be drawn in the tariff act between trimmed and untrimmed mica, is there?

Mr. WEBSTER. Well, no; there is no reason, excepting that if you admitted cut mica at the same price that you did untrimmed there would be no labor employed in this country in cutting mica. It would all be done abroad.

Mr. GRIGGS. It would be foreign labor.

Mr. UNDERWOOD. Is the labor cost in cutting mica a large percentage of the cost of the trimmed or cut mica?

Mr. WEBSTER. It costs about 25 cents a pound in this country for labor for 1 pound of mica.

Mr. UNDERWOOD. What does 1 pound of mica sell for in this country?

Mr. WEBSTER. It sells for all the way from 5 cents to $3.

Mr. UNDERWOOD. I am talking about the cut mica. What does that sell for?

Mr. WEBSTER. It depends entirely on the size. Some sizes would sell as low as from 10 to 15 cents.

Mr. GRIGGS. What is that [indicating] fit for?

Mr. WEBSTER. It is only fit for electrical purposes. It has no other use except for the electrical industries.

Mr. GRIGGS. That is the 5 cents a pound mica?

Digitized by Google

Mr. WEBSTER. No; that mica—if you will hold up the piece so that I can see it—would come in under the grade of mica which we pay 50 cents a pound for.

Mr. GRIGGS. Amber mica?

Mr. WEBSTER. Amber mica; yes. Amber mica is higher in Canada than the domestic mica is in this country.

Mr. RANDELL. You say it costs 25 cents a pound to cut the mica in this country?

Mr. WEBSTER. That is stove mica—yes; to cut it and clean it.

Mr. RANDELL. The difference is 6 and 12 cents on the importation?

Mr. WEBSTER. Yes.

Mr. RANDELL. Is it good business to do 25 cents' worth of work ourselves when we could buy it for 6 cents? In other words, the cut mica only costs 6 cents more, and you take the uncut mica and pay 25 cents to cut it. Is that a good business proposition?

Mr. WEBSTER. If I may use an illustration, if we bring in a sheet of mica which costs 25 cents and pay 6 cents a pound duty on it and 20 per cent ad valorem, the cost of that sheet of mica is 36 cents here. If we cut that into cut mica, it costs us 72 cents for the material, because it is wasted 50 per cent; and then, after we have added our labor, which is 25 cents, it makes 97 cents that that pound of mica has cost us. We can buy that mica oftentimes in London at a price which closely approximates the price of the raw material; and as a natural result of the present tariff bill most of the cut mica is bought abroad and brought in here all finished. Very little cut mica is made in this country. That, of course, comes in competition with the domestic product.

The CHAIRMAN. The demand for mica has increased very much during the last few years for electrical purposes, has it not?

Mr. WEBSTER. It has increased tremendously for electrical purposes; more so than anywhere else.

The CHAIRMAN. And ten or twelve years ago, when this tariff was made, they thought they must have large sheets for electrical purposes, did they not?

Mr. WEBSTER. They did, sir—that is, a good deal larger than they do now.

The CHAIRMAN. Since that time they have got to piling sheets on each other and putting small pieces together, and making sheets in that way for electrical purposes?

Mr. WEBSTER. They have since the last tariff bill was enacted.

The CHAIRMAN. So that they save every particle of the mica.

Mr. WEBSTER. Mica is used in Canada as small as 1-inch square for making these built-up sheets.

The CHAIRMAN. It is used now in small sheets?

Mr. WEBSTER. Very small sheets of amber mica.

The CHAIRMAN. That has resulted in great economy?

Mr. WEBSTER. It has.

Mr. COCKRAN. It is used in electrical manufacture as an insulator, is it not?

Mr. WEBSTER. As an insulator.

Mr. COCKRAN. It is used for its insulating properties?

Mr. WEBSTER. Yes; entirely for its insulating qualities. It also withstands heat.

Mr. COCKRAN. But that is for stoves, is it not?

Digitized by Google

Mr. WEBSTER. There is also a great deal of heat developed in electrical apparatus.

Mr. UNDERWOOD. In view of the constantly growing market for mica, do you not think that what was a reasonable duty twelve years ago would be more than ample protection now?

Mr. WEBSTER. I think it would be sufficient protection now if it was put on in the form of a specific duty—not as a specific and an ad valorem duty. I have talked with all the mica dealers I could come in touch with before I came to this committee, and I could not find any two of them that agreed on what was the best thing for the interests of the business.

Mr. GRIGGS. What is the specific duty now?

Mr. WEBSTER. It is 6 cents on uncut and 12 cents on cut mica.

Mr. GRIGGS. What do you want to make it?

Mr. WEBSTER. I would like to make it specific all through.

Mr. GRIGGS. How much?

Mr. WEBSTER. The idea of a specific duty is that there would be no variations in the values. The domestic producer would then always know what duty he could depend on being assessed on his material.

Mr. GRIGGS. I understand that; but I want to know what price you want to put on it.

Mr. WEBSTER. The duty on the extra A1 grade would be, on uncut mica, 65 cents.

Mr. GRIGGS. Per pound?

Mr. WEBSTER. Per pound.

Mr. GRIGGS. Sixty-five cents?

Mr. WEBSTER. Under present conditions.

Mr. GRIGGS. And now it is 6 cents?

Mr. WEBSTER. No; it would be 6 cents and 20 per cent ad valorem.

Mr. GRIGGS. It is worth anywhere from 25 to 50 cents a pound?

Mr. WEBSTER. That mica? That mica is worth $3 a pound.

Mr. GRIGGS. Three dollars a pound?

Mr. WEBSTER. Three dollars a pound. That is very expensive mica—the most expensive.

Mr. GRIGGS. That would be 66 cents, would it not?

Mr. WEBSTER. Sixty-five cents I estimated it to be.

Mr. GRIGGS. I say, that would be 66 cents?

Mr. WEBSTER. Yes; 66 cents.

Mr. GRIGGS. That is the duty now?

Mr. WEBSTER. Yes. If that same duty were made specific instead of ad valorem, that, in my opinion, would be sufficient.

Mr. GRIGGS. What is your next grade there?

Mr. WEBSTER. The next grade is A1. The duty on that would be 55 or 56 cents.

Mr. GRIGGS. What is the worth of it?

Mr. WEBSTER. $2.50.

Mr. GRIGGS. $2.50?

Mr. WEBSTER. Yes.

Mr. GRIGGS. And the duty now is what?

Mr. WEBSTER. The duty would be 56 cents—20 per cent and 6 cents.

Mr. GRIGGS. You have calculated all of those?

Mr. WEBSTER. I have calculated all of those on the basis of the present duty. It is within a cent or two of what the present duty would be.

Digitized by Google

The CHAIRMAN. There has been some litigation about the classification of this mica plate that comes in, consisting of small sheets pasted together into a large sheet, has there not?

Mr. WEBSTER. Yes, there has been; but I think that has been settled by assessing a 20 per cent duty and 12 cents a pound.

The CHAIRMAN. The litigation is still pending on appeal.

Mr. WEBSTER. No; that is on mica. It is on that case that I was explaining to you as being now under consideration.

The CHAIRMAN. No; it says here that mica plate composed of small sheets of mica pasted together to make larger sheets was held to have been properly classified by the surveyor of customs at the port of Pittsburg as mica cut or trimmed, under paragraph 184 of the act of 1897. It was claimed to be dutiable under section 6 as a partly manufactured article, or under paragraph 97 as a mineral substance not decorative; and this decision of the general appraisers is under review by the courts.

Mr. WEBSTER. That is something I was not informed about. That is the Westinghouse case.

The CHAIRMAN. The Government is collecting it according to its first claim.

Mr. WEBSTER. Yes; it is collecting 12 cents a pound and 20 per cent.

STATEMENT OF HUBERT H. WARD, OF CLEVELAND, OHIO, REPRESENTING THE PRODUCERS OF AMERICAN MICA.

FRIDAY, *November 27, 1908.*

Mr. GRIGGS. Mr. Ward, are you making any money?

Mr. WARD. I will state, sir, that the company that I represent, the Great Southern Mica Company, is a company that was started two years ago for the purpose of mining and manufacturing mica. We began to develop the undeveloped mica field of Alabama. We built a plant in Heflin, Ala. Early in this last summer we increased our operations and went into North Carolina. We have been devoting a good deal of our attention to North Carolina, and are now having constructed for us, in Asheville, a manufacturing plant. We have three or four small manufacturing plants at present in North Carolina.

Mr. GRIGGS. And you do not know whether you are making any money or not?

Mr. WARD. We do not know yet whether we are making money or not.

Mr. GRIGGS. You still live in hope, however?

Mr. WARD. We still live in hope.

You have heard from the gentlemen who have preceded me from the standpoint of the manufacturer who makes a thing that we do not make and can not make—that is, this patented mica plate, the patent on which expires in about a year. You have heard from a gentleman who has been in the manufacturing business for years, with valuable experience back of him. I am here to represent the producers and manufacturers of American mica, as distinguished from foreign mica.

The CHAIRMAN. Excuse me a moment while I make an inquiry. Does Mr. W. Vance Brown want to be heard on this subject?

Digitized by Google

Mr. BROWN. Yes, sir.

The CHAIRMAN. Do you want to be heard next?

Mr. BROWN. Yes, sir.

The CHAIRMAN. And Mr. B. C. Grindstaff?

Mr. GRINDSTAFF. Yes, sir.

The CHAIRMAN. All right. Go ahead, Mr. Ward.

Mr. WARD. I will state that when I first heard of this meeting I was away from home. I have not been able to get home since then; and I perhaps can not answer all of the questions the gentlemen would like to put to me. But Mr. Brown and Mr. Grindstaff will be able to answer any questions that may be put, for they have both been in the business for years.

Mr. GRIGGS. Do you mean by that that you do not want us to cross-examine you, but to cross-examine them?

Mr. WARD. No; I do not mean that. I mean that I may not be able to answer some questions that you may put; and with your permission I would like to refer such questions to them to answer.

Mr. GRIGGS. All right.

Mr. WARD. Representing certain producers and manufacturers of American mica, we submit for your consideration a brief summary of the mica industry as it at present exists in this country. We would also call your attention to the competition to which it is now subjected by the importation of foreign mica, more particularly from India, under the present tariff and rulings thereon.

Quoting from the United States Geological Survey report on "The production of mica in 1907," we would call your attention to the following facts:

"The total value of the production of mica in the United States in 1907 amounted to $392,111. This production came from 11 States—North Carolina, South Dakota, Alabama, South Carolina, Colorado, New Hampshire, Idaho, Georgia, Virginia, New Mexico, and Maine—here named in order of the value of their output.

"The importation for the year 1907 amounted in value to $925,259," approximately two and one-half times the value of the mica mined in the United States.

The bulk of the importations have been from India, possibly, in value, at a ratio of 2 for India to 1 for Canada.

There are two kinds of mica commercially valuable: Muscovite and phlogopite; 95 per cent of the American mica is muscovite; 95 per cent of the India mica is muscovite; 95 per cent of the Canadian mica is phlogopite, commonly called "amber."

Muscovite mica is used in the stove trade, the electrical trade, the lamp-chimney trade, and when ground, in the wall paper and other decorating trades; also for roofing, as a lubricant, as an annealer, and in built-up electrical-composition work.

Phlogopite or amber mica is used almost entirely in the electrical trade, and when ground is used for the same purposes as the muscovite excepting decorative work.

Muscovite mica is found principally in veins of feldspar and quartz in varying proportions. In the United States these mica-bearing veins have been worked in a somewhat haphazard fashion by people of small means, who have in turn, sold their product to mica manufacturers and dealers.

Digitized by Google

The present tariff of 1897 has been productive of the following results in production of mica in the United States:

1897	$95,226	1903	$143,128
1898	131,098	1904	120,316
1899	121,465	1905	178,588
1900	147,960	1906	274,990
1901	118,578	1907	392,111
1902	118,829		

During the past few years the demand for mica as an insulator for electrical work has been so great as to increase the importation of mica very much out of proportion to what the increase in home mining would have been had the home industry had a higher protective tariff, or possibly even had it received the benefit of the present tariff as was originally intended.

Our Mr. Grindstaff has had some correspondence with Solicitor Kemp, of New York, which he will present when he takes my place.

The importations, in value, have been as follows:

1903	$317,969
1904	263,714
1905	403,756
1906	1,042,608
1907	925,259

The above figures of home production and importation are taken from the United States report.

The development of mica mines in India and in Canada is far in advance, and is more extensive than in the United States. In many Canadian mines the mica is found in a soft phosphate rock, the mica being a by-product. All the Canadian mines are a soft-rock formation, open quarry work, consequently mined at a much lower cost than otherwise possible.

Our domestic mines are for the most part in hard-rock formation, seldom open quarry work, consequently a high mining cost. Should these domestic mines become more developed, so that more extensive operations might be undertaken, this mining cost would be reduced.

If the margin of profit on domestic mining could be increased, capital could be induced to enter mica-mining industry (I say "mining," as distinguished from manufacturing), which is now being done in a crude way by small operators in an intermittent manner. The United States Geological Survey, the surveys of the various mica-producing States, and the reports of several geologists and others qualified to know agree that there are sufficient mica deposits in the United States to supply the entire home consumption of muscovite mica.

Muscovite mica is white mica. Since coming here I have been told by a North Carolinian that there is enough in North Carolina to do that; and I have also been told by a gentleman owning mines in New Hampshire that there is enough mica in New Hampshire to do that.

The India fields produce the same varieties of mica as our own home fields, and supply the markets of Europe, in addition to furnishing more mica for the United States than the home fields furnish. I should judge that they furnish twice as much. These fields of India have been worked in an extensive manner with an abundance of English and East India capital.

Digitized by Google

Here is the principal thing we have trouble with: The wages paid in the India fields are from 6 cents to 15 cents per day; the labor cost is about 80 per cent of the total cost of mining and manufacturing. The wages in the United States fields are from $1 to $2.50 per day for mining, and from 65 cents to $2.50 per day in the factories, where some women are employed.

The present tariff on mica is as follows: Paragraph 184, page 24, of the act of July 24, 1897, verbatim:

Mica, unmanufactured or rough trimmed only, six cents per pound and twenty per centum ad valorem; mica, cut or trimmed, twelve cents per pound and twenty per centum ad valorem.

About a year ago the question was raised by importers as to the interpretation of this paragraph; namely, what constituted the difference between unmanufactured or rough-trimmed mica, on one hand, and mica cut or trimmed, on the other hand. Government appraisers have, we believe, decided erroneously on this question, allowing a great deal of mica to be admitted at 6 cents per pound duty which should have paid 12 cents per pound. We believe this to have been brought about by the indefinite wording of the paragraph, and we understand that there is yet conflict between the Government and the importers as a result of this wording. There is no doubt in our minds but that the framers of that paragraph intended to put a higher duty on manufactured mica than upon unmanufactured mica.

We therefore suggest a change of the wording of paragraph 184 to make more clear the intention of the Government. We also ask an increase in the ad valorem duty from 20 per cent, as at present, to 40 per cent, so that the domestic mines may be developed and made more extensive by the attraction of capital to mica mining. We therefore respectfully suggest the following for section 184:

Mica, unmanufactured or roughly thumb trimmed only, six cents per pound and forty per centum ad valorem; mica, manufactured in any form, or knife or shear or machine trimmed, or cut to pattern, or split to a thickness of less than five one-thousandths (5/1000) of an inch, twelve cents per pound and forty per centum ad valorem.

This is signed by the Great Southern Mica Company, of Cleveland, Ohio; Hubert H. Ward; Asheville Mica Company, Asheville, N. C.; W. Vance Brown; Buchanan & Grindstott, and B. C. Grindstott.

We have the peculiar condition existing in this country at the present time of some of the most valuable mines in the country being closed down. There is present in this room to-night a gentleman who owns what is said to be the most valuable mica mine in the United States, located in New Hampshire. He has it closed down, because he can buy India mica cheaper than he can operate his own mine. I said to him: "If you could get labor at 10 or 15 cents a day, you would work your mine, would you not?" He said: "Yes; I would go out of the manufacturing business and work my mine."

The Canadian mica must come in regardless of the duty, as has been said. That must be used, and is not so directly in competition with the American mica as is the white mica of India. If the mines of this country could be developed on a businesslike scale, we believe that enough volume and a sufficiently steady volume would result to make it impossible to find conditions existing here such as I believe

Digitized by Google

have existed in the past, where the India producers have simply held up the market and got any price that they wanted because they knew that the manufacturers of mica could not get a steady supply from the American mines. Our contention for the increased duty is in order that the American miner may have an opportunity to develop the American mines to such an extent that the market will no longer be subject to the fluctuations or the dictations of the English and Indian capitalists who own the Indian mines. While it might temporarily increase the cost of mica to the manufacturer in some instances, it would only be for a short time. In the long run, when the mines of this country have been sufficiently developed to equal the India product, the only protection necessary would be the difference between the cost of the labor in India and the cost of labor in this country. I am contending for a duty for the development of American mica mining.

Mr. BONYNGE. What is the cost of transportation from India?

Mr. WARD. I was told in New York recently that it was about 20 cents per hundred pounds from India to New York. The cost by rail from North Carolina to New York is $1.50 per hundred pounds on the manufactured product.

Mr. BONYNGE. And how much from India?

Mr. WARD. Twenty cents.

Mr. COCKRAN. You can bring it from India cheaper than you can from North Carolina?

Mr. WARD. Yes, sir.

Mr. COCKRAN. You speak about Canadian mica being absolutely necessary. That can not be shut out anyway?

Mr. WARD. That is, the Canadian mica is this amber mica.

Mr. COCKRAN. That is not produced in this country?

Mr. WARD. It is not found in this country.

Mr. COCKRAN. Could that be so defined and described in the tariff that it could be——

Mr. WARD (interrupting). Differentiated from the India mica?

Mr. COCKRAN. Yes.

Mr. WARD. I think it could; yes, sir.

Mr. COCKRAN. As I understand it, you would be in favor of making that free?

Mr. WARD. Not free; no, sir. I would have a small duty on the Canadian mica. As it is at present, the small sizes of Canadian mica can not be brought into this country because of the 6 cents per pound charged on that grade of mica. As a result, Mr. Cockran, I understand that in Canada there are great lots of that small mica which have been culled over and left after the run of mine has been culled. This has been left because it was too small to bring in under the 6-cents-per-pound duty. There is a department of the mica business called the washer business; and Mr. Vance Brown, who will succeed me, will speak of that. If the Canadian mica were to be admitted free, it would be a handicap upon the American miner for this reason: As it is at present constituted, the only way that any profit can be gotten out of American mining at all is by using the punched mica and the stove mica of all grades for electrical mica; and then we have been taking the scrap and grinding it to ground mica for use in the arts and annealing and lubricating and things of that kind. It is used in the making of wall paper.

Digitized by Google

Mr. COCKRAN. Then the Canadian mica does come in competition with the American mica in some particulars?

Mr. WARD. It does. You refer to the Canadian mica?

Mr. COCKRAN. The Canadian mica must come in competition with the American mica in some directions, but not many?

Mr. WARD. It comes in competition with the American mica in the washer business.

Mr. COCKRAN. Therefore you would put a small duty on the Canadian mica?

Mr. WARD. I would put a small duty on the Canadian mica.

Mr. COCKRAN. Of about how much?

Mr. WARD. I would put a duty on it of from 3 to 6 cents a pound, according to the size.

Mr. COCKRAN. It is 6 cents a pound as it is now.

Mr. WARD. Yes; but I would cut that.

Mr. COCKRAN. Would you cut it to, say, 2 cents?

Mr. WARD. I would prefer, Mr. Cockran, to have Mr. Brown, who is very familiar with that matter, answer that question, if you please.

Mr. COCKRAN. All right; all right. As to the Indian labor, and the comparison you instituted with the labor of this country, you would not claim that Indian labor would produce anything like the amount that American labor would in the same field?

Mr. WARD. The Indian mines, I understand, Mr. Cockran, have largely been, in the past, in a soft decomposed kaolin, which can easily be dug with a pick; whereas most of our mines (the greater portion of them, at least) in North Carolina are in quite a hard rock, requiring either hand drilling, or, to be properly worked, machine drills.

Mr. COCKRAN. Then so far as you institute a comparison between the cost of labor in India and the cost of labor in this country, you would not have us understand for a moment that an Indian ryot could produce in the course of a day anything like what an American laborer could?

Mr. WARD. Probably not, Mr. Cockran. I have not the figures.

Mr. COCKRAN. That is all I want.

Mr. WARD. You see, we are paying an average of ten times per man what they are paying in India for labor; and according to our own experience in the South, the cost of labor is 80 per cent of our total cost. In India, where I understand they do not use machinery, I should judge that the labor percentage would go up to even 90 or 95 per cent of the total.

Mr. COCKRAN. Have you ever had occasion to compare the number of men required for the construction, say, of a line of railway in this country with the number required on a line of railway in England, given about the same levels?

Mr. WARD. I know it is much greater in this country—yes; I know that to be true.

Mr. BONYNGE. Where are the factories that manufacture mica located?

Mr. WARD. The manufacturing plants are in New York City and in Schenectady and in South Newton Falls.

Mr. BONYNGE. Principally in the East; in the eastern part of the country?

Mr. WARD. Our plants are all in the South.

Digitized by Google

Mr. BONYNGE. What is the cost of freight on mica from Colorado? Do you know?

Mr. WARD. I do not; I have never had occasion to find out. I know it is very high.

Mr. RANDELL. You have no mines in British America or Canada?

Mr. WARD. No; our company has no mines outside of Alabama and North Carolina.

Mr. RANDELL. But you represent all these companies, do you not—the northern companies as well as the southern companies?

Mr. WARD. This paper of ours represents practically the southern companies.

Mr. RANDELL. Does it include the companies in New York and Schenectady?

Mr. WARD. No; we do not represent them. They are asking for one duty and we are asking for another.

Mr. RANDELL. Have they any interests in Canada in this respect?

Mr. WARD. One of the gentlemen who was here has interests in Canada; yes. One of the others has the patented, built-up micanite. I believe his patent runs out next year. They use the amber mica for that, I believe.

STATEMENT OF B. C. GRINDSTAFF, OF NORTH CAROLINA, REPRESENTING THE AMERICAN MINERS OF MICA.

FRIDAY, *November 27, 1908.*

Mr. GRINDSTAFF. I represent the miners. I am a miner. I do not manufacture. Under the present tariff we have not made mining pay. I think we would have made it pay if we had had the full benefit of it.

I want to read you a part of a letter from the solicitor of customs here:

> I find that there is a considerable quantity of mica being imported from time to time which appears to be cut mica. I inclose a sample which will illustrate what I mean. You will observe that just inside the edge of the mica there is a line drawn or scribed "for further cutting." The importers insist that this is not cut mica, because it is not cut to commercial size, the commercial size being represented by the interior line—

Which would mean to be recut. In bringing mica in in that shape we practically lose the tariff on it. The valuation of the sheet mica is only about one-third the value of the cut mica, and they evade two-thirds of the ad valorem duty to begin with. Then they evade one-half of the specific duty; so we only get very little benefit from the tariff that is already on mica. Last year the whole American industry produced only about one-third of the mica that was used.

Mr. COCKRAN. Used where? Used here, or used everywhere?

Mr. GRINDSTAFF. Used in the United States; and if we had had the protection that was intended for us under this tariff we would have produced 75 or 80 per cent, and could do it if we were protected as the framers of the present tariff intended that we should be.

Mr. GRIGGS. This gentleman sitting over here, who was testifying when I came in, said that mica mining could not be profitably done in the United States. Did you hear him say that?

Mr. GRINDSTAFF. Who was that?

Digitized by Google

Mr. BONYNGE. That is what this witness says, too—that it can not be profitably done in competition with foreign mining.

Mr. GRINDSTAFF. I said it could be if we had the protection that we are supposed to have.

Mr. GRIGGS. I understood him to say, after I came in, that mica mining can not be profitably done in the United States anyway; that there is plenty of mica in the United States, but it is inaccessible. Do you not remember that?

Mr. GRINDSTAFF. I do not agree with him on that point. I have been mining in the United States for twenty years; and if we have the proper protection against foreign cheap labor a mica mine in the United States will pay. It will be a profitable business.

Mr. GRIGGS. I understand them to want a very low duty on the imported raw mica, as you might call it, uncut?

Mr. GRINDSTAFF. Yes.

Mr. GRIGGS. And a high duty on the other. What do you say to that as a miner?

Mr. GRINDSTAFF. Of course it does not make so much difference to the manufacturer what price he pays. It does not look to me as if it does. It does not make so much difference to the man that manufactures the mica. If he pays a high price for it, he sells his product higher; and if he pays a low price, then he can sell it lower.

Mr. GRIGGS. Do you not know that all the manufacturers are starving?

Mr. GRINDSTAFF. Starving?

Mr. GRIGGS. Yes.

Mr. GRINDSTAFF. Well, from what I have heard some of them say here, they are probably getting a little weak.

Mr. GRIGGS. They have nothing but automobiles to ride in.

Mr. GRINDSTAFF. But I am not a manufacturer; I am a miner; and unless we are protected mining in this country is not profitable. But I am not asking now for a higher tariff. I am only asking for the tariff that we already have. I feel that we would be all right if we had gotten the benefit of the tariff that we have.

Mr. GRIGGS. But these manufacturers ask that it be reduced.

Mr. GRINDSTAFF. I know they do.

Mr. GRIGGS. You are opposed to it?

Mr. GRINDSTAFF. I am opposed to it.

Mr. COCKRAN. Then do you mean to say that you would like to have things stand just as they are?

Mr. GRINDSTAFF. I want the wording of that clause——

Mr. GRIGGS. You want the definition made plain?

Mr. GRINDSTAFF. Yes.

Mr. COCKRAN. What would you suggest?

Mr. GRINDSTAFF. Mr. Brown read that, did he not? I would suggest the language that we have just read here. We will have it in the briefs.

The ACTING CHAIRMAN (Mr. Dalzell). That was at the end of his brief.

Mr. GRIGGS. You agree with what Mr. Brown proposed?

Mr. GRINDSTAFF. Yes.

Mr. BONYNGE. You want the distinction drawn between the cut and the rough mica?

Mr. GRINDSTAFF. Yes; and the sheet mica.

Digitized by Google

Mr. GRIGGS. You and Mr. Brown stand right together all the way through, do you not?

Mr. GRINDSTAFF. Yes, sir.

Mr. GRIGGS. And you are against these other gentlemen who talked to us?

Mr. GRINDSTAFF. I am against those that want the tariff taken off, of course, because I do not manufacture mica. I only mine it.

Mr. GRIGGS. I do not blame you.

STATEMENT OF L. W. KINGSLEY, REPRESENTING EUGENE MUNSELL & CO., NEW YORK CITY, RELATIVE TO MICA.

FRIDAY, *November 27, 1908.*

Mr. GRIGGS. One question before you proceed. Are you a manufacturer of mica?

Mr. KINGSLEY. Yes, sir; and a miner in this country.

Mr. GRIGGS. Are you making any money?

Mr. KINGSLEY. Not much this year. We have made money. I am a miner in this country, and I am a miner in India.

Mr. GRIGGS. You made money last year?

Mr. KINGSLEY. Yes, sir.

Mr. GRIGGS. And all the time before that?

Mr. KINGSLEY. Yes, sir.

Mr. GRIGGS. You simply did not make any money this year?

Mr. KINGSLEY. Yes, sir; I am a miner in this country, and I have been in business for thirty years. I am a miner and a handler of mica. My experience has been, in thirty years, that we can not get enough mica in this country to supply the demands of the manufacturers and consumers in this country for the reason that the American mines, in my opinion, do not run as rich as they do in other parts of the world. As far as American labor goes, we have as cheap labor in North Carolina as in any other part of the country; but my opinion is that if you put up the duty on mica you will not get enough to supply the American consumption, and the mica that is used in the manufacture of what is called "micanite," or "micabestin," or "built-up mica," you can not get in this country.

It will not split as readily and is not suitable for use in built-up material. I do not ask any reduction in the duty; I am only asking to have the duty as it is at present, but I would suggest that the duty be taken off amber mica and the duty reduced on the same small sizes of American mica, and raised enough to counterbalance that on the larger sizes. That is all I have to say.

Mr. BONYNGE. Are you the owner of a producing mica mine in Canada?

Mr. KINGSLEY. No, sir.

Mr. BONYNGE. Do you ship your mica to the United States?

Mr. KINGSLEY. Yes, sir.

Mr. BONYNGE. How much did you ship last year?

Mr. KINGSLEY. I could not tell you; possibly 25,000 or 50,000. We are only half owners. Our English company is the other half owner, and it has been divided between London and this country.

Digitized by Google

Mr. BONYNGE. Do you own a producing mica mine in the United States?

Mr. KINGSLEY. Yes, sir; three or four of them.

Mr. BONYNGE. Are you shipping mica from those mines?

Mr. KINGSLEY. Yes.

Mr. BONYNGE. How much mica did you produce from the American mines last year?

Mr. KINGSLEY. We produced very little this year, because business was dull.

Mr. BONYNGE. And you shipped 50,000 tons or pounds from India?

Mr. KINGSLEY. Pounds. I was half owner with Mr. Grindstaff of a mine down South, also.

Mr. BONYNGE. Is that mine working?

Mr. KINGSLEY. It is working, but it has not paid in the last two years, and so we sold it out.

Mr. BONYNGE. You sold it and are getting the mica from India now?

Mr. KINGSLEY. Yes, sir.

Mr. GRIGGS. What is the freight rate from India to New York?

Mr. KINGSLEY. About a cent a pound.

Mr. GRIGGS. A dollar a hundred?

Mr. KINGSLEY. Yes, sir. It comes by direct steamers from Madras and Calcutta to New York.

Mr. GRIGGS. These gentlemen were mistaken who said it was shipped in for less than a dollar a hundred?

Mr. KINGSLEY. Yes, sir.

Mr. COCKRAN. You happen to have paid that rate?

Mr. KINGSLEY. Yes.

Mr. COCKRAN. And you naturally remember the rate.

Mr. KINGSLEY. Yes, sir.

Mr. COCKRAN. And you have a recollection of what it is, yourself?

Mr. KINGSLEY. Yes, sir. It may be by sailing vessels below a dollar, but not by a steamer.

Mr. BONYNGE. How do you ship yours, by sailing vessel or steamer?

Mr. KINGSLEY. Direct to New York.

Mr. BONYNGE. By sailing vessel or steamer?

Mr. KINGSLEY. By steamer. Mica is valuable, and we want to get it here as soon as we can.

Mr. UNDERWOOD. What is the rate of wages paid in India?

Mr. KINGSLEY. They have gone up lately. I think it is about 20 cents.

Mr. UNDERWOOD. Twenty cents a man?

Mr. KINGSLEY. Yes, sir; but they do not do half or one-third as much work as an American laborer.

Mr. UNDERWOOD. What do you pay in America?

Mr. KINGSLEY. A dollar to a dollar and a quarter down South, now.

Mr. UNDERWOOD. A dollar to a dollar and a quarter?

Mr. KINGSLEY. Yes, sir.

Mr. UNDERWOOD. And you say that the efficiency of that labor in India is not more than as one to three or four, compared to the American labor?

Mr. KINGSLEY. Yes, sir; that is about all, I think.

Mr. GRIGGS. That is, as compared with negro labor down South?

Digitized by Google

Mr. KINGSLEY. No, sir; they do not use negro labor down South. In the mountains of North Carolina there are no negroes to speak of.

Mr. GRIGGS. Have you any interests in Canada?

Mr. KINGSLEY. Yes, sir; we have a factory there.

Mr. RANDELL. Do you want the duty taken off for Canada?

Mr. KINGSLEY. I will not say take it off; reduce it considerably.

Mr. RANDELL. Have you a half interest in these mines in North Carolina and Alabama?

Mr. KINGSLEY. Yes, sir.

Mr. RANDELL. I understood the other gentlemen representing them to say that they had no interest in these North Carolina mines.

Mr. KINGSLEY. No; we have three or four mines there, but not with those gentlemen.

Mr. RANDELL. You want the duty reduced between here and Canada?

Mr. KINGSLEY. Yes, sir.

Mr. RANDELL. And you want the duty reduced all around?

Mr. KINGSLEY. No, sir; I do not ask for any reduction on North Carolina, except I would reduce it on the very small sizes but raise it on the other sizes to counterbalance the reduction on the small.

Mr. RANDELL. Would that bring the small sizes in competition, then, with the mica producer here?

Mr. KINGSLEY. I will tell you. We use that built-up mica and mica that is not produced down South in making splittings with the mica-nite or built-up mica. We can not use a mica produced in this country in the manufacture of built-up mica.

Mr. UNDERWOOD. Will you explain the technical reason why?

Mr. KINGSLEY. Because that is used in railway coppers; that is used in railway work, and it has to be as soft as the copper, and the large companies will not use any mica except amber mica, because they have got to harden their copper. They will pay twice as much for amber mica in order to get it, rather than to use any other mica. It is necessary in railway work.

Mr. GRIGGS. How do they use that in railway work?

Mr. KINGSLEY. They use it for the commutators, for insulating purposes.

BRIEF SUBMITTED BY L. W. KINGSLEY, OF NEW YORK CITY, RELATIVE TO THE MICA INDUSTRY.

WASHINGTON, D. C., *November 27, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: "184. Mica, unmanufactured, or rough trimmed only, six cents per pound and twenty per centum ad valorem; mica, cut or trimmed, twelve cents per pound and twenty per centum ad valorem."

This paragraph relates to the importation of mineral used in sheets for insulation in electrical machines, in doors and other parts of stoves surrounding the fire chamber, certain forms of lamp chimneys, etc. The major part of the world's output of white mica is produced in India, and amber mica is produced commercially only in the provinces of Quebec and Ontario, Canada.

Digitized by Google

The production in the States and the importation into the States in pounds and value in the years 1905, 1906, and 1907 is shown by the following table:

	Produced in United States.		Imported.	
	Pounds.	Value.	Pounds.	Value.
1905	924,875	$160,732	1,188,449	$296,362
1906	1,423,100	252,248	2,412,261	731,488
1907	1,060,182	349,311	3,448,452	1,295,006

The market value of white mica imported is based upon merchantable sizes of the sheets, which are classed as No. 6, having an area of 1 to 3 square inches; No. 5, having an area of 3 to 6 square inches; No. 4, having an area of 6 to 10 square inches; No. 3, having an area of 10 to 16 square inches; No. 2, having an area of 16 to 25 square inches; No. 1, having an area of 25 square inches, and up.

Amber mica differs slightly in the merchantable form, being classed as 1 inch by 1 inch, 1 inch by 2 inches, 2 inches by 3 inches, 2 inches by 4 inches, 3 inches by 5 inches, 4 inches by 6 inches, 5 inches by 8 inches.

The market price of the sizes above described varies from 5 cents per pound to a dollar and a half per pound, or even more.

The present tariff, as appears by paragraph 184, levies a specific duty of 6 cents per pound without regard to size, with a 20 per cent ad valorem duty.

Amber mica, which is softer than white mica, is produced, as above stated, only in Quebec and Ontario, is not found in the United States in workable veins, is necessary to and is used in the manufacture of electric motors for street railway service. It does not come into competition with white mica, and, not being obtainable in the United States, it is our opinion that there should be no duty upon amber mica.

The specific duty of 6 cents per pound varies from 100 per cent of the market value of the mica down to 5 per cent or less. When this specific duty of 6 cents per pound was put upon mica the smaller sizes, which are now chiefly used for electrical insulation, were then thrown away, and the smallest of the sizes used was valued at 50 cents per pound or higher. Under such conditions a specific duty of 6 cents per pound did not seem illogical. At the present time the very small sizes are in demand and the specific duty of 6 cents per pound is very excessive on those sizes.

There can be no possible reason why the duty on white mica should not be fixed to bear equally upon all merchantable sizes of mica imported. This may be accomplished by revising the specific duty substantially as follows: One cent per pound upon No. 6, 2 cents per pound upon No. 5, 4 cents per pound upon No. 4, 6 cents per pound upon No. 3, 8 cents per pound upon No. 2, 10 cents per pound upon No. 1.

The total number of employees engaged in the production of mica in the United States has not at any time exceeded 1,000 or 2,000 persons. At the present time the number is probably less than 1,000. The manufacturing industries which use imported mica have em-

Digitized by Google

ployees numbering at least 50,000 persons, and they export annually to foreign countries goods into the manufacture of which mica enters, subject to foreign competition, of a value at least fifty times the value of all the mica produced in the United States. There is every reason why a just and level tariff should be placed upon the various sizes of white mica. The present tariff does not fit present conditions, which have arisen since the present tariff law was enacted.

We therefore recommend and urge the amendment of paragraph 184 by eliminating the duty on amber mica and by revising the specific duty on white mica as above set forth.

Respectfully submitted.

EUGENE MUNSELL,
68 Church Street, New York.

NICKEL.

[Paragraph 185.]

HON. PETER PORTER, M. C., SUBMITS LETTER OF W. A. JAMESON, NIAGARA FALLS, N. Y., RELATIVE TO REFINED NICKEL.

NIAGARA FALLS, N. Y., *January 2, 1909.*

Hon. PETER A. PORTER, M. C.,
House of Representatives, Washington, D. C.

DEAR MR. PORTER: I understand there is more or less of a concerted movement being made by the German silver rolling mill interests to have the duty of 6 cents per pound on refined nickel removed in the amended tariff bill that is now under consideration by the Committee on Ways and Means of the House of Representatives.

While not directly interested in the rolling mills, our company uses something like 2,000,000 pounds of German silver per year, and inasmuch as about 20 per cent of this German silver, commonly called in this country "nickel silver," is refined nickel, it goes without saying that we are interested in having this duty removed.

So far as I have been able to discover there is no good reason for continuing this duty upon nickel.

If you have an opportunity to take this matter up with Congressman Hill, of Connecticut, who is chairman of the committee, I will greatly appreciate it.

Yours, very truly, W. A. JAMESON.

STEEL AND METALLIC PENS.

[Paragraph 186.]

BRIEF SUBMITTED BY CERTAIN MANUFACTURERS OF PENS, ASKING FOR CONTINUANCE OF PRESENT DUTIES.

WASHINGTON, D. C., *November 28, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: We respectfully ask for a continuance of the present specific duty of 12 cents per gross on steel and metallic pens other than gold pens.

Digitized by Google

The present duty was fixed after a careful investigation of the steel-pen industry here and abroad, so as to nearly equalize the extra cost of labor and material in this country as compared with the cost in England and on the continent of Europe.

No demand for a decrease of duty on steel pens comes from the consumer, and any suggestion to that effect is from the foreign manufacturer direct or through those interested with them on this side of the ocean as importers.

There are six factories manufacturing steel pens in this country, with capital of nearly $1,000,000 and more than 1,000 employees.

About 20 processes are necessary in the manufacture of steel pens, labor being the principal item of cost (fourteen-twentieths of cost is for labor).

The wages we pay are more than double what is paid abroad for the same work.

Any reduction of duty would seriously affect, if not destroy and throw into foreign hands, the largest portion of our business without the least benefit to consumers, and at the same time decrease or entirely take away the wages of our employees.

While our industry is not large as compared with many others, it is an important one to the country, and if necessity arose we could supply all the pens required in the United States.

The steel we use is not made in this country, but it has to be imported and a liberal duty paid thereon.

From long experience it is our judgment that a specific duty is the only way to counteract evasion in our line of goods and give us the needed protection.

We therefore respectfully ask that no reduction be made from the present duty on steel and metallic pens.

THE ESTERBROOK STEEL PEN MFG. CO.,
Camden, N. J.
By ALEX. C. WOODE, *Treasurer.*

Also representing by request the following manufacturers of pens: The C. Howard Hunt Pen Company, Camden, N. J.; Turner & Harrison, Philadelphia; Miller Brothers Cutlery Company, Meriden, Conn.; Eagle Pencil Company, New York City.

BRIEF SUBMITTED BY PHILIP BEROLZHEIMER, REPRESENTING THE EAGLE PENCIL CO., ON THE SUBJECT OF STEEL PENS.

WASHINGTON, D. C., *November 28, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: About 9,000 to 10,000 people are supported by the steel pen industry.

Foreign labor is considerably cheaper than American labor. Where we pay dollars, the same kind of labor can be engaged in England for shillings; and in Germany and Austria labor is from 10 to 15 per cent still cheaper than in England. There are about twenty processes in the manufacture of pens, most of which are by hand, making labor a large item of cost.

Digitized by Google

The steel which is used for the manufacture of pens is not produced in this country at all, and has to be imported and duty paid thereon.

A great many countries put a discriminating tariff on the American product—for instance, France, Canada, all the English colonies, Australia, and South Africa, where English-made goods are allowed to come in at a much lower rate of duty than American-made goods.

Here there are six factories; in England, Germany, France, Italy, and Austria about forty, and their output of pens is considerably larger, the largest factory in England alone employing 3,000 hands, and in spite of the duty that has heretofore prevailed on steel pens the American manufacturers have not been able to make much headway on account of the cheaper labor abroad and the duty which the American manufacturers have to pay on steel.

I respectfully request that the above paragraph be not changed in the pending tariff.

Submitted by—

PHILIP BEROLZHEIMER,
377 Broadway, New York,
Representing Eagle Pencil Co.

EXHIBIT A.—*Importations of steel pens to the United States.*

	Quantity (gross).	Value.	Duty.
1897	551,595	$138,897	$44,127
1898	442,395	119,940	50,546
1899	549,355	136,729	65,922
1900	504,997	129,717	60,599
1903	572,745	145,287	.....
1904	537,923	138,739	64,551
1905	504,552	122,305	60,546
1906	590,825	147,098	70,899
1907	652,136	163,284	75,257
1908	527,634	130,341	63,316

THE SPENCERIAN PEN COMPANY, NEW YORK CITY, WISHES METALLIC PENS GIVEN AN AD VALOREM DUTY.

349 BROADWAY,
New York, December 28, 1908.

Hon. SERENO E. PAYNE, M. C.,
Chairman Committee on Ways and Means,
House of Representatives, Washington, D. C.

SIR: We respectfully request that the item of metallic pens may receive your attention in revising the tariff.

We are importers of steel pens under the trade-mark "Spencerian." They have been made in England since 1860 for this company and their predecessors. We are not interested financially in the manufacture of the pens, nor do we know from experience the cost of making them. We also import one brand of pens known as "Perry & Co.'s, London," the largest and one of the oldest makers in England, established 1824.

There are many different patterns of pens, but a limited number of desirable styles, all of which are copied by the different manufacturers.

Digitized by Google

The "Spencerian" pens have no fixed market in England, but the shapes and quality are similar to many well known brands in England. Messrs. Gillott & Sons and ourselves are probably the largest importers, and most of our patterns are similar, although Messrs. Gillott & Sons make many numbers of very fine and delicate pens for drawing, lithographing and commercial use at a very high cost.

The present specific rate of duty of 12 cents per gross for all grades of pens, from the finest to the school grades, makes the percentage on the actual cost range from 20 to 120 per cent. We believe that an ad valorem rate of duty is the only just protection to the American manufacturer. We respectfully suggest that you consider the item of metallic pens to be made ad valorem and at the same rate of duty as other metal goods, or manufactures of steel, not classified.

If we can give you any further information in regard to the importation of steel pens, we will be pleased to do so.

Yours truly,

THE SPENCERIAN PEN CO.,
J. E. SMITH, *President.*

THE C. HOWARD HUNT PEN COMPANY, CAMDEN, N. J., ASKS FOR CONTINUANCE OF PRESENT DUTY ON METALLIC PENS.

CAMDEN, N. J., *November 25, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: We respectfully ask for a continuance of the present specific duty of 12 cents per gross on steel and metallic pens, other than gold pens, and submit for your consideration the following facts as a reasonable justification for our request.

The business of manufacturing steel pens in this country has been established and maintained with great difficulty under the stress of competition of European manufacturers enjoying cheaper raw materials and very much cheaper labor; nevertheless the American industry has slowly but steadily increased, and American manufacturers are now supplying about 80 per cent of the steel pens used in this country.

The number of concerns now engaged in manufacturing steel pens in the United States is 6, located, 2 in New Jersey, 1 in Pennsylvania, 1 in New York, and 2 in Connecticut.

The total capital now employed in the business is about $1,000,000. (In 1860 few, if any, steel pens were made here. In 1880 the industry was still so small as to be absolutely insignificant. In 1890 there were 4 concerns, with about $500,000 invested.) The total number of employees of all kinds varies from 900 to 1,100. The total annual salary and wage rolls are about $375,000. The total annual production is about 2,000,000 gross.

Importations last year (the fiscal year ending June 30, 1908) were 527,634 gross, valued at $130,341, paying import duties of $63,316. Ten years ago, to wit, for the fiscal year ending June 30, 1898, importations were 442,395 gross, valued at $119,940, paying import duties of $50,546. The rate of duty was the same both years, 12 cents per gross, specific. The business shows a growth during the period of 85,239 gross.

Digitized by Google

Information as to the wages paid in England, for like work, derived from some of our employees who were trained in English factories, gives a fair idea of the handicap imposed on the American manufacturer by the difference in wage costs here and abroad.

[Basis of scale is a quantity technically known as a "lot" averaging 120 gross of pens.]

Operation.	English scale.	Equivalent United States currency.	Our scale.	Excess paid over English scale.
	s. d.	Cents.		
Cutting	0 9	18	$0.47½	$0.29½
Piercing	1 9	42	1.10	.68
Marking	1 0	24	1.10	.86
Raising	2 2	52	1.30	.78
Grinding	3 9	90	2.15	1.25
Slitting	2 0	48	1.30	.82

Wages paid to the skilled foremen of departments range in England from £2 to £2 15s. per week, equal in United States currency to $9.60 and $13.20, respectively. Wages paid by our company for the same skill and same work range from $18 to $25, an excess of $8.40 and $11.80, respectively. The same average differences prevail in the office—managerial and salesmen's salaries. The wage scales in pen factories on the Continent of Europe range from 10 to 15 per cent lower than the English scale according to the best information obtainable by us.

Sixty-six per cent of the cost of steel pens in our works is represented by the labor cost, 26 per cent by the cost of steel and miscellaneous supplies, and 8 per cent by the cost of boxes. The minimum cost in this country is 20 cents per gross; this excludes all selling expenses or expenses connected with advertising or distributing the goods. The cost in our own factory is higher than 20 cents. We are advised and believe that the English cost of manufacture for pens of like quality would not exceed 8 to 10 cents per gross.

The steel used in pens is all imported; none is produced in the United States, nor do any American steel manufacturers indicate any desire to enter the business; the tonnage is too small, the import duty is 2 cents per pound; it requires 3 pounds of steel to make 2 pounds of pens owing to the waste and scrap incident to the processes; the waste therefore increases the duty on the finished pens to 3 cents per pound, an increase of 50 per cent. In England the scrap and waste can be sold back to the steel makers at good prices; in this country no one wants it, and it brings only $1 per 100 pounds for steel which has cost over $18 per 100 pounds. The United States Government does not allow any drawback or refund of duties on scrap steel exported. The American steel pen manufacturers should, in fairness, be relieved of the duty now paid on their raw material.

Power-driven automatic machines, while often tried, have never been successful in supplanting hand labor in the making of steel pens. From 18 to 25 different operations are required, according to the quality of the pen, in six or eight of which each pen has to be individually handled by the operative. Machines are employed in a number of the operations, but they are hand or foot operated and fed by hand. The ingenuity of inventors has so far failed both here and abroad to produce machines capable of doing the work right.

Digitized by Google

No American consumer has any just cause of complaint about the price of American-made pens and no objection to the price has ever reached our ears. American proprietary brands, the value of which have been established by canvassers and advertising, are sold at lower prices than foreign-made pens of equal quality. American imprint pens, viz, those pens which are made bearing the private mark of the buyer are sold at prices to compete with foreign goods of like quality. American-made pens for use in public places, especially educational establishments, are sold very frequently below the cost of manufacture on account of the hoped-for resultant good, from an advertising standpoint, of familiarizing the users with the manufacturer's proprietary brand.

The only effect of a reduction in the present rate of duty would be to destroy the American steel-pen industry. There is no trust or any semblance of a combination among American steel-pen manufacturers; on the contrary, there is the sharpest cut-throat competition, profits range from moderate down to nothing. If required to lower prices on competitive business it could be done only by cheaper costs of manufacture, and as labor represents 66 per cent of actual cost it would mean a radical reduction in the wage scale. Reduction of the wage scale would mean simply that the employees would seek other fields of work, as they now earn no more per week than they can earn at other work, and without employees the American manufacturer must close his business—irreparably ruined. The only gainers would be the foreign manufacturers and the importers.

We therefore earnestly pray that your honorable body fix the duty on imports of steel and metallic pens, other than gold pens, at 12 cents per gross, specific, the same rate as is now collected under paragraph 186, act of June 24, 1897.

Respectfully,

C. HOWARD HUNT PEN COMPANY.
By GEORGE E. BARTOL, *President.*

PENHOLDERS.

[Paragraph 187.]

WASHINGTON, D. C., *November 28, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: I submit samples of penholders made since the last year or so in Japan, with the selling price per gross in Japan attached. The material entering into this article, without labor, costs more in the United States than the Japanese completed article.

The Japanese tariff on penholders is 40 per cent; the American tariff only 25 per cent. Japanese labor is about one-twentieth of American labor.

I respectfully request that the American tariff on penholders be equal to that on pencils, viz, 45 cents per gross and 25 per cent ad valorem. (Paragraph 456, Pencils.)

Submitted by—

PHILIP BEROLZHEIMER,
377 Broadway, New York,
Representing Eagle Pencil Company.

Digitized by Google

WIRE HAIRPINS.

[Paragraph 188.]

THE STAR PIN COMPANY, WATERBURY, CONN., ASKS A SPECIFIC ENUMERATION OF WIRE HAIRPINS.

WATERBURY, CONN., *December 17, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The Star Pin Company, of Derby, Conn., requests your committee, in its proposed revision of the tariff, to withdraw wire hairpins from the schedule in which they are now placed and cause them to be placed in a particular and separate schedule by themselves, with a specific duty of 2 or 3 cents per pound, in addition to the 35 per cent ad valorem duty now existing. Hairpins are now included, under the tariff act of 1897, in paragraph 188, reading as follows:

> Pins with solid heads, without ornamentation, including hair, safety, hat, bonnet, and shawl pins; any of the foregoing composed wholly of brass, copper, iron, steel, or other base metal, not plated, and any commonly known as jewelry, thirty-five per centum ad valorem.

Government statistics do not state specifically the amount or value of hairpins now imported into the United States, as they are included in the general head of pins, but I am informed most positively by the officials of this company that the larger portion of these goods in this country is supplied by foreign manufacturers, chiefly German, and that no hairpins such as are manufactured by this company are exported.

The chief reason for this desired action is, as is the case with so many other articles, the cheap labor in the foreign countries as contrasted with the price paid for labor in this country, and I would state that this company has been in the business of manufacturing wire hairpins for many years, has machinery, and everything fitted for it, and has kept at this particular line in the hope that some day there would be better protection than that afforded by the present ad valorem duty, for with this duty the German manufacturers can import wire hairpins and land them here, duty paid, for practically 3¾ cents per package, while the cost of production to this company is, with the present prices paid for labor, a fraction over 5 cents per package. A package is composed of 16 small papers, each containing three-quarters of an ounce, 16 of these being tied together in a package, making the weight of the package 12 ounces, there being from 225 to 275 separate pins contained in this package. These also have to be wrapped with hand labor. The only reason now for any ability to compete with the German manufacturers is the better finish of the goods and the superior style in which they are put up.

Withdrawing these goods from the schedule of pins and placing them in a separate schedule, with the present ad valorem duty and an addition of 2 cents per pound specific duty, would enable the manufacturers here to compete with the German manufacturers and would necessarily result with the increased production in a decrease of their cost, owing to the fact that the large percentage of overhead

Digitized by Google

charges, etc., would not increase with the production. The advantage then, it is believed, would be shared by the laborer, the manufacturer, and the consumer.

Respectfully submitted.

THE STAR PIN COMPANY.

PLATINUM.

[Paragraphs 641 and 642.]

J. BISHOP & CO., MALVERN, PA., WISH A PROTECTIVE DUTY PLACED ON PLATINUM MANUFACTURES.

MALVERN, PA., *November 10, 1908.*

Hon. THOMAS S. BUTLER, M. C.
Pennbrook, Fayette County, W. Va.

DEAR SIR: We understand that a subcommittee of the Ways and Means Committee is about to assemble in Washington for the purpose of taking up the matter of tariff revision.

We are particularly interested in the metal schedule, and from newspaper information learn that November 25 has been assigned for hearing those interested in metal manufactures, under which heading we presume our business would come.

Under the existing tariff platinum in the form of chemical apparatus and other shapes is admitted free of duty, principally, we presume, from the fact that the manufacturers in this country have never made an effort to have a duty placed thereon.

As you are probably aware, our firm is the oldest in this line of business in the United States, and possibly abroad, having been established in 1842, and the processes that were first used in our works, invented by the founder, Mr. Joaquim Bishop, which revolutionized the process of manufacturing platinum, have been adopted by all the European manufacturers.

There is only one concern in the United States manufacturing a complete line of platinum apparatus besides ourselves, and this is controlled by a German company, who in turn are associated with what is known as the "platinum trust," composed of English, German, and French producers.

We feel that this country has been sadly neglected in the way of tariff protection, and there is no question but what the domestic requirements can be taken care of by American manufacturers.

It is conceded that the products of our works are the finest made, either in this country or abroad, and therefore the matter of quality can not be raised as an objection by importing houses. We are confident that this business could be greatly enlarged and American labor given an additional field of employment if a duty is placed on manufactured platinum. We do not ask for a high rate; 25 per cent to 30 per cent would amply protect us.

From the improved processes in the manufacture of platinum invented by Mr. Bishop, its field of usefulness was largely increased, it being possible thereby to manufacture platinum in a greater variety of forms. Owing, however, to the cheaper foreign labor, European

Digitized by Google

manufacturers are able to place their products on the market at a much lower figure than we can sell in competition.

The claims of importers for the admission of platinum apparatus free of duty have been that they are used for scientific purposes. While we admit that a certain part of them is used in educational institutions, a very large portion is used in commercial laboratories, and a very large quantity is purchased by the United States Government for their various laboratories throughout the country, and in recent years foreign manufacturers have been supplying the latter very largely.

In other lines of chemical apparatus when imported for educational institutions it is necessary to make a direct import in original packages, being shipped by the foreign manufacturers direct to the consumer, and we have no objection to platinum being treated similarly. All we want is that platinum apparatus for chemical and other purposes be placed upon the same basis as other chemical apparatus, such as glassware, porcelain, balances, etc., upon which a duty is assessed.

We would be very glad to have you advise us what steps are best to take in the matter, and any assistance you can give us in this particular we will greatly appreciate, giving you the assurance that if given the protection to which we believe we are fully entitled, a large industry will be developed in your district.

Thanking you for your kind consideration, and awaiting the favor of your reply, we are,

Yours, very truly, J. BISHOP & CO.

J. BISHOP & CO., MALVERN, PA., SUBMIT A SUPPLEMENTAL STATEMENT RELATIVE TO MANUFACTURES OF PLATINUM.

MALVERN, PA., *November 25, 1908.*

To the WAYS AND MEANS COMMITTEE,
House of Representatives, Sixtieth Congress,
Washington, D. C.

GENTLEMEN: The undersigned respectfully petition and invite your attention to paragraphs 641 and 642 of the tariff law of 1897, admitting platinum, either manufactured or unmanufactured, duty free.

We ask that part of paragraph of 641, relating to platinum in sheet and wire and all of paragraph of 642 be stricken from the free list, and that a duty be placed on these items of at least 25 per cent. Our claims for asking this duty are based on the following:

First. That owing to the cheaper labor cost European manufacturers are enabled to sell platinum for chemical purposes, such as vases, retorts, crucibles, dishes, wire, foil, etc., at a lower price than they can be made for in this country.

Second. We ask that as manufacturers of such apparatus we be given a certain amount of protection, the same as other manufacturers of chemical and scientific apparatus, thereby giving a larger field of employment for skilled American labor, and enable us to pay higher wages than can now be done.

Third. Our ability to meet the demands of the users of this material is unquestioned. The first platinum works in the United States having been established by the founder of these works, Joaquin

Digitized by Google

Bishop, in 1842, and the processes first used by and original with him in melting and manufacturing platinum for chemical, dental, jewelry, and other purposes, were adapted by European manufacturers.

Fourth. That the only other works in the United States claiming to manufacture a line of platinum for chemical purposes besides ourselves is controlled by a European company, who in turn is associated with what is commonly known as the "Platinum syndicate," composed of English, German, and French manufacturers, whose product is sold largely in the United States. Under the existing tariff it is possible for this company to import platinum chemical apparatus, either wholly or partly manufactured, and sell it as of American manufacture.

The only way we can meet this competition is by having a duty placed on manufactured platinum for chemical purposes consisting of crucibles, dishes, retorts, wire, foil, sheet, etc., thereby giving larger employment to American labor and encouraging manufacturers in this country independent of European control.

Fifth. That the United States Government in its various departments purchase platinum in manufactured form, much of which is of foreign manufacture, and all of which could be made in this country of as fine quality and workmanship if given moderate protection.

Sixth. Your attention is called to paragraph 193 of the tariff law of 1897, which places a duty of 45 per cent on all articles made wholly or in part of platinum not otherwise provided for in this act, and we claim that there should be no distinction made in platinum for chemical purposes.

Seventh. Platina or platinum unmanufactured, consisting of ore or in bars or ingots not less than one-eighth inch thick, we ask be admitted free of duty, as under the existing law, as the domestic supply of crude platinum is so small as to be a negligible quantity, the Russian mines furnishing the principal supply.

Platinum ingots as imported into the United States are approximately five-sixteenths inch thick by 2 to 4 inches wide, and weigh about 100 troy ounces each.

Respectfully submitted.

J. BISHOP & CO.

THE DENTISTS' SUPPLY CO., NEW YORK CITY, PROTESTS AGAINST IMPOSITION OF DUTY ON PLATINUM PRODUCTS.

NEW YORK CITY, *December 10, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: We are in receipt of copies of several petitions to your honorable body pertaining to the question of the duty on platinum partially manufactured, petitioning you, in revision of tariff schedule, to place a duty on all platinum products coming into this country, except on ingots of the metal approximately five-sixteenth inch thick by 2 to 4 inches wide and weighing about 100 Troy ounces.

Digitized by Google

Now, in justice to the interest of the consumer, as well as the greater number of manufacturers, we must enter a most vigorous protest against your giving favorable consideration to the petition in question.

One of the largest uses for platinum in this country is in the manufacture of porcelain teeth, in which we are engaged. Were a duty of 45 per cent, as is asked for, be imposed upon the platinum imported in shape of wire or in any form, except as the petition above indicated specifies, it would simply make it impossible for American manufacturers of porcelain teeth to compete with the European field, and very large loss of trade would result and many more employees in the United States would suffer loss than are engaged, or likely to be engaged, in all the platinum-manufacturing establishments that might be established here, as the petitioner for increase of duty elaborates upon.

THE DENTISTS' SUPPLY COMPANY,
By J. F. FRANTZ, *President.*

PLATINUM METALS.

[Section 6.]

CHARLES ENGELHARD, NEW YORK CITY, WISHES RHODIUM AND RUTHENIUM PLACED ON THE FREE LIST.

NEW YORK, *December 21, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: As one of the largest importers of platinum and metals of the platinum group for the last seventeen years, I beg to call your kind attention to the fact that the metals of the platinum group are the following: Platinum, iridium, palladium, osmium, rhodium, ruthenium.

In the present tariff there are on the free list, and always have been on the free list, the following platinum metals: Platinum, iridium, palladium, osmium; but there is no mention made at all of the remaining two platinum metals, viz, rhodium and ruthenium.

I am quite sure that the framers of the present tariff have overlooked putting these two metals of the platinum group, viz, rhodium and ruthenium, on the free list, as there is absolutely no reason why they should not be on the free list; they are not found in this country and have to be imported. Therefore the only reason which I can put forward that they have been forgotten is that scarcely any quantity has been imported in former years, and even now only small quantities are brought in, for which 10 per cent duty has to be paid, according to a decision of the United States appraisers' court.

I hope while revising the present tariff you will take the opportunity to put these two metals—that is, rhodium and ruthenium—on the free list also for the benefit of the American home industry.

Respectfully,

CHARLES ENGELHARD.

Digitized by Google

WATCHES.

[Paragraph 191.]

MEMORIAL OF WATCH MANUFACTURERS, DEALERS, AND IMPORTERS OF THE CITY OF NEW YORK.

WASHINGTON, D. C.,
Wednesday, November 25, 1908.

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: It is respectfully submitted to the Committee on Ways and Means, and through it to the Congress of the United States, that paragraph 191 of the act of July 24, 1897, be so amended that it may read as follows, to wit:

Watches complete, watch movements with or without cases, watch cases with or without movements, and all parts or portions of watches, watch cases, or movements, without regard to material or number of jewels, twenty per cent ad valorem.

There was submitted to this committee last week a suggested rule as to perfect tariff in a country administered under a protective system. The wording was as follows:

First, a tariff should produce revenue; and, second, it should protect home industries and be so graduated that its benefits are equally divided between the capital that establishes, the labor that produces, and the public that consumes.

The amendment to paragraph 191 we believe fully complies with all the above requirements.

Under the McKinley tariff of 1890 a 25 per cent ad valorem duty was considered all sufficient to protect this particular domestic manufacture. That it did so protect is proven by the fact that between 1890 and 1897 the production of watches in the United States was increased over 100 per cent, notwithstanding that the amount of labor then employed was more than twice the amount now required, the use of fine machinery having brought about the reduction. The sale of the home product abroad was just beginning in 1890; in 1897 it had more than doubled, and to-day the United States markets her watches in England, France, Scotland, Ireland, Germany, Africa, India, and even in Switzerland, the native home of the watch.

In the face of all this, and for some reason which no man is bold enough to utter above his breath, the tariff on watches and watch movements was materially increased under the Dingley bill in 1897 by the addition of a specific duty, with the result that much confusion was created in the customs offices, much injustice was done the importers, and the consumers were robbed, while the benefits therefrom, small to the Government, were refused division with the labor that produced, and only went to swell the dividends of the trusts that then controlled the trade.

The uncontrovertible proof of these assertions lies in these stubborn facts:

First. The importation of the cheaper grades of watches—the grade most burdened by the specific duty—has since 1897 largely fallen off.

Digitized by Google

Second. The number of men and girls employed in the manufacture of American watches has been very materially reduced, while their wages have not been materially advanced.

Third. The exportation of American-made watches and movements has increased since 1897 more than 150 per cent, and such goods sell to the consumer from 25 per cent to 50 per cent cheaper in the foreign market than at home.

It seems hardly necessary to present any further arguments in support of the suggested revision of the paragraph in question.

The fact that the home industry is not only no longer an infant, but so well grown as to dominate the markets of the world; the fact that the American goods are sold abroad—not the surplus, but a very substantial percentage of the output—at a far lower price than that at which they can be purchased at home, and still sold at a profit; the fact that the difference in price between the American and the foreign market in these goods is far more than the amount of duty imposed, and that the dividends of the American producers have not fallen off but increased more than 100 per cent in the past eleven years, and the bitter fact that in all this time the only beneficiary has been the producer, not the laborer, whose employment has been curtailed by the introduction of machinery and whose wages have hardly advanced at all, nor the consumer, who now pays more for the same American watch than he did eleven years ago. All these facts lead inevitably to one conclusion—that the present tariff rate is inequitable, unjust, and results in pure favoritism; it tends to monopoly and to the fostering of private interest under the guise of national legislation, and that the same should be reduced.

FRANCIS E. HAMILTON,
Of Counsel Representing Watch Manufacturers, Dealers, and Importers, City of New York.

HON. H. S. BOUTELL, M. C., FILES CORRESPONDENCE BETWEEN ELGIN WATCH CO. AND NELSON LYON, TARRYTOWN, N. Y., RELATIVE TO PRICES OF AMERICAN WATCHES IN EUROPE.

WASHINGTON, D. C., *December 14, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
House of Representatives, Washington, D. C.

MY DEAR MR. CHAIRMAN: Mr. C. H. Hulburd, president of the Elgin National Watch Company, has sent me the inclosed letter to him from W. H. Kinna, agent of the Elgin Watch Company in New York, together with a memorandum by Mr. Hulburd. These documents, it seems to me, might be published in the hearings in connection with or by way of reference to the testimony of Mr. Lyon, on which they throw an interesting light.

Very truly, yours, H. S. BOUTELL.

Digitized by Google

NEW YORK, *December 9, 1908.*

Mr. CHAS. H. HULBURD,
President Elgin National Watch Company,
Chicago, Ill.

DEAR MR. HULBURD: Mr. Nelson Lyon, Tarrytown, N. Y., who recently made a statement before the Ways and Means Committee relative to the purchase of an Elgin watch in London, positively declines to furnish us with the serial number of the watch referred to, giving as a reason that the European jobber who sold him the watch is a customer of his, and he did not care to have him brought into the controversy. I did, however, learn the grade. It is a 7-jewel, 12-size gilt, in a 25-year Boss case, and was purchased by him from a wholesale dealer in England (outside of London) for $12.50.

This same watch in this country lists at $12.25 to the jobber. After Mr. Lyon returned to this country he dropped his watch and took it to a watchmaker in his home town for repairs, who told him that a watch like this would cost him $18. He now thinks he was mistaken about the watchmaker telling him that the Elgin Company compelled the dealers to get that price, and is most willing to retract that part of his statement. He has promised to write me a letter to that effect, which I will forward to you as soon as received.

Mr. Lyon has a small plant in Tarrytown, where they manufacture wire egg and carpet beaters. He admits he knows nothing about the watch industry or what the tariff ought to be on this article, but has taken it for granted from the advertising he has read from time to time in New York papers that watches should not be protected by a tariff. I think he feels altogether different about this subject since my interview.

He is a very eccentric man and a close student of economics. In fact, I think he neglects his own business to take up matters for the people. While not a free trader, he is very much interested in the revision of tariff, more especially on steel. He claims to have become disgusted with the Republican party on account of their indifference on this question and voted for Bryan at the last election.

He showed me several letters purporting to come from Mr. Clark, of the Ways and Means Committee, and expects to go to Washington again very soon, at the request of the committee.

Advices from Canada to-day report Mr. Zurbrugg's condition improved.

Very truly, yours, ELGIN NATIONAL WATCH CO.,
W. H. KINNA, *Agent.*

NOTE.—All watches are sold by the Elgin Company at list, less 20, 6, and 3, so that a watch listing at $12.25 actually costs the jobber in this country $8.94. The jobber sells to the retailer at prices ranging from 15 and 6 off to 10 and 6 off, so that the large retailer would pay for that watch $9.80, and the very smallest retailer, who only buys two or three watches a year, would not pay exceeding $10.37. There is no established retail price, nor has there ever been any attempt on the part of the Elgin Company to establish a retail price on this watch, and it would sell at retail from $13.50 to $15. I do not think any retailer would ask as much as $18, and if he did, it would be an exorbitant profit. Therefore if Mr. Lyon had a friendly watch jobber in this country who wished to accommodate him, he would have bought the watch for somewhere around $11, instead of $12.50 which he paid abroad, and even then the jobber would have got more from him than he actually does realize on the watches he sells to the retailers. Mr. Lyon admits in this letter that he did not buy the watch at retail abroad, and the foreign wholesale price at $12.50 was a little

Digitized by Google

higher than the domestic list price, from which must always be deducted the discounts which all jobbers get on watches.

The foregoing statements, as to discounts to all jobbers, as to list price, and as to retail prices, can be substantiated by catalogues.

CHARLES H. HULBURD, *President.*

Hon. S. E. PAYNE, M. C.,
Washington, D. C.

DEAR SIR: I am advised that there has been filed with your committee a letter from our New York agent, Mr. W. H. Kinna, describing an interview which he had with Mr. Nelson Lyon, of Tarrytown, N. Y., regarding a statement made by the latter before the Ways and Means Committee concerning the price of an Elgin watch bought in England. I do not know that it is necessary to add anything to that letter and my memorandum, but in order to make your files complete I inclose herewith the letter from Mr. Nelson Lyon himself, addressed to Mr. Kinna, and also a copy of my letter to Mr. Kinna acknowledging receipt of it.

Yours, very truly, CHARLES H. HULBURD.

TARRYTOWN, N. Y., *December 9, 1908.*

Mr. WM. HENRY KINNA,
Manager Elgin Watch Company,
15 Maiden Lane, New York.

DEAR SIR: Referring to your call yesterday, upon the request of the president of your company, would say I did not go before the committee at Washington intending to speak in regard to the Elgin watch; it was brought out under the impulse of the moment from their inquiries.

I had designed to purchase one of your watches when I went to England this year, as I understood they could be purchased there much cheaper than here. The statement regarding what the English wholesale dealer told me was true, that the price given me, $12.50, was as low as he was allowed to sell them. On referring the matter to my home jeweler I find he placed the price too high, and he now says that on this style of watch, which I purchased, he is not bound by agreement to sell for the price mentioned, $18, but he told me that was the price they were worth in this country.

I heard the statement made so often that the price in this country was limited I had the impression he told me he could not sell them below $18, and this fact was also fixed in my mind by the English wholesale dealer. He said that he was allowed to make 10 or 15 per cent.

I make this statement because I would not want to do your company an injustice. As I told you, I think your company should give a statement of your net income in 1906 and 1907, as well as 1908, as they certainly must have declared large dividends in those two years or carried over a surplus which should tide them over in 1908 without earning a dividend.

Respectfully, yours, NELSON LYON.

Digitized by Google

DECEMBER 12, 1908.

Mr. W. H. KINNA,
Agent Elgin Watch Co., New York, N. Y.

DEAR MR. KINNA: I beg to acknowledge receipt of your favor of the 10th, inclosing letter from Mr. Nelson Lyon. This is all that you could ask of him and proves our case most completely. I have no doubt that if I could have a talk with him myself and explain the substance of the letter which I wrote to the Ways and Means Committee, he would appreciate at once how misleading the advertisements of Keene really were. You can, of course, see that Mr. Lyon's whole attitude of mind is due to Keene's advertising. However, I do not suppose it would be necessary to discuss the matter with Mr. Lyon.

I should not hesitate in the least to show him our statements for the years 1906 and 1907, because, while our nominal profits were quite large, yet so much of it was charged off and used in rebuilding and putting in new machinery, which we are constantly doing, thus giving employment to labor, our dividends of 8 per cent per annum are all that have actually been paid out to the stockholders since I have been president. Meantime, each year we are employing additional labor at high wages for the sake of putting up healthful and good buildings to work in, sustaining a factory hospital, and taking care of our sick in the best possible manner. I think we could convince Mr. Lyon, if he could see our buildings and our books, that we are not making excessive profits on our domestic sales, while our foreign sales are showing us a positive loss. Furthermore, I could show him conclusively that the sales to jobbers in this country are within a very small percentage of the same prices at which goods are sold to jobbers abroad. I could show him, furthermore, that 90 per cent of our product has no fixed price; that it is open competition among the retailers. I could show him, furthermore, that Mr. Keene buys all of his named goods, which he advertises, in this country, and then advertises his cost price for the sake of attracting trade, but does not sell the watch if he can help it. I could show him also that it is not a fair or honorable thing to compare the wholesale price abroad with the supposed retail price in this country. In other words, both jobber and retailer are performing a service to the country and are entitled to a profit for the service rendered. Of course you understand all these arguments, and there is no necessity of my going over them. Do you think Mr. Lyon would like me to send him a letter of this kind so that he would understand our position? I assume that he is a perfectly honorable, conscientious man.

Yours, very truly,

CHAS. H. HULBURD,
President Elgin Watch Co.

AMERICAN WATCH MANUFACTURERS ASK THAT THE RATES OF DUTY ON WATCH MOVEMENTS BE INCREASED.

CANTON, OHIO, *December 1, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: Representing the Dueber Watch Case Manufacturing Company and the Hampden Watch Company, of Canton, Ohio, man-

ufacturers of watch movements and watch cases, I desire respectfully to call the attention of the Committee on Ways and Means to certain matters in regard to paragraph 191, Schedule C, of the "Dingley tariff law."

The above-named companies have always been and now are absolutely independent so far as any working agreement or connection of any kind or nature whatsoever with any other company or companies is concerned; and we are moved to communicate with your committee at this time because it is of vital importance to us and to the labor we employ to at least see that the present schedule is maintained.

The manufactured product of our companies is sold exclusively in the markets of the United States, with the possible exception of a small quantity sold in Canada. It is plain that no argument can be made against these companies by reason of sales in foreign countries. As already stated, we sell no watches in Europe or anywhere else outside of the United States, excepting the limited quantity sold in Canada.

The duty imposed upon watch movements under the provisions of paragraph 191, Schedule C, amounts, in effect, to a tariff for revenue only, and should not be considered as a protective tariff. The following table, compiled from the volume entitled "Imports and Duties," prepared for your committee, shows the startling increase in the importation of watches during the last nine years under the present law, and proves conclusively that there has been little, if any, protection afforded the American watch manufacturer under this schedule, especially in view of the fact that during the last fifteen years the total production of watches in America has not materially increased.

About 80 per cent of the total cost of production of watch movements in America is labor, and because of the fact that labor can be secured abroad so much cheaper than in America, and because the American manufacturer is compelled to pay a tariff on raw materials, such as jewels, watch springs, etc., the foreign manufacturer has been able, as the table conclusively shows, to increase, by leaps and bounds, his business in America, at the expense of the American watchmaker and the American watch manufacturer.

Table taken from "Imports and Duties," showing percentage of increase of importations of watch movements, years 1898 and 1907.

	Quantity.	Value.	Duty collected.
Having not more than 7 jewels:			
1898	147,155	$148,768.09	$88,696.27
1907	857,184	731,331.60	482,847.33
Increase	710,029	582,563.51	394,151.06
Per cent	482	391	444
Having more than 7 and not more than 11 jewels:			
1898	25,035	59,329.24	27,349.76
1907	20,031	58,782.00	24,711.01
Decrease	5,004	547.24	2,638.75
Per cent	19	.92	9.64
Having more than 11 and not more than 15 jewels:			
1898	5,981	24,315.00	10,564.50
1907	58,522	192,393.00	91,989.75
Increase	52,541	168,078.00	81,425.25
Per cent	878	691	770

Digitized by Google

Table taken from "Imports and Duties," showing percentage of increase of importations of watch movements, years 1898 and 1907—Continued.

	Quantity.	Value.	Duty collected.
Having more than 15 and not more than 17 jewels:			
1898	1,829	$22,112.00	$7,814.25
1907	18,600	122,947.00	58,986.75
Increase	16,771	100,835.00	46,172.50
Per cent	916	456	590
Having more than 17 jewels:			
1898	1,311	41,607.00	14,334.75
1907	6,113	184,383.00	64,434.75
Increase	4,802	142,776.00	50,100.00
Per cent	366	343	349
Total:			
1898	181,311	296,131.33	148,759.53
1907	960,450	1,289,836.60	717,969.59
Increase	779,139	993,705.27	569,210.06
Per cent	429	335	382

In view of the significant facts revealed by the above table in regard to the percentage of increase in the importations of watch movements during the last nine years, and in view of the fact that about 80 per cent of the cost of production of watch movements in this country is labor, and that in the other 20 per cent of the total cost of production there is included the tariff the American manufacturer must pay on raw materials, such as jewels and springs, we feel that we would be justified in asking your committee to double both the specific and the ad valorem duties of the present schedule.

We might manage, however, to continue the manufacture of our product if the protection contemplated by the present schedule were really afforded, but experience has taught us that the ad valorem duty of 25 per cent on watch movements is of very little value, because of the opportunity offered to evade it; and therefore, on account of the fraud practiced in the way of undervaluations, we are now getting only a fraction of the protection, if it may be so called, intended by Congress.

Before the present tariff went into effect, and when the duty on watch movements was only ad valorem, the Swiss manufacturers sold their watches in this country at about 60 per cent higher than the present price. At that time there was no specific duty imposed upon them, but now, with both an ad valorem and specific duty, they undersell our products. This is due to the fact that at the present time the Swiss watch factories are equipped with American watch machinery and Swiss duplicates thereof. The irresistible conclusion, therefore, is that solely on account of the low price of Swiss labor can the Swiss manufacturers of watch movements compete with and undersell our domestic product, and that it is only by means of a reasonable duty on the imported goods that the American manufacturer can hold his own.

One of the questions of supreme importance to the American manufacturer at this time is that of arriving at a method of collecting all the duties intended for the protection of the home industries. In the

Digitized by Google

case of the watch business, we think we have arrived at a possible solution, and respectfully submit the following:

We suggest that the ad valorem duty on watch movements be dropped from the schedule, and that the specific duty be increased to a point where it will be possible for the American manufacturer employing American labor, and paying the tariff on his raw materials, to compete with foreign manufacturers with some hope of a reasonably proportionate increase in his business, and that the specific duty be made high enough to afford the American watch manufacturer some protection, rather than to continue upon what is practically a tariff-for-revenue-only basis.

We are firmly of the opinion that a change from a combination specific and ad valorem duty to a straight specific duty would be for the best interest of both the Government and the American watch manufacturer for the following reasons:

First. Watch movements are capable of a perfect classification because the grade of all watches, and consequently their approximate value, is determined by the number of jewels each watch contains, together with the number of adjustments, which will not exceed twelve in all.

Second. When it is possible to make a perfect and complete classification a specific duty can be levied and collected without the drawbacks confronted in attempting to collect an ad valorem duty, and experience has shown, and facts can be produced to prove, that only a fraction of the present ad valorem duty of 25 per cent on all watch movements is now being collected because of undervaluations.

Therefore, fraud is invited and practiced. The American manufacturer is supposed to be protected when, in fact, he is not. The Government loses revenue, and the importers, by their various methods of evading the present law, have grown rich at the expense of the Government and to the detriment of American manufacturers who are the employers of labor.

We would further suggest, in order to insure the honest collection of a straight specific duty as above outlined, that the foreign manufacturer be compelled to stamp on every movement the number of jewels, together with the number of adjustments of said movement, and that no watch movement not so stamped shall be admitted.

The Dueber-Hampden watch works in their watch-movement department alone give employment to over 800 people at wages averaging 80 per cent of the total cost of production, the remaining 20 per cent including, as hereinbefore set out, the tariff paid on raw materials, such as 10 per cent on jewels, 40 per cent on springs, etc.

We respectfully ask that the present schedule be increased so as to afford some protection to American watch manufacturers and American watch makers who must compete with cheap foreign labor, and we suggest that the manner of collecting the tariff be changed by dropping the ad valorem duty and increasing proportionately the specific duty so that fraud may be reduced to the minimum by doing away with the possibility of undervaluations, and that the manufacturer be compelled, in order to have his goods admitted, to stamp on each movement the number of jewels it contains, together with the number of adjustments.

Digitized by Google

We would also respectfully ask that the 15–17 jewel watches be classified as follows: Unadjusted, adjusted to temperature, adjusted three positions, adjusted five positions, instead of present method of classification.

Respectfully submitted.

ALBERT M. DUEBER,
President the Dueber Watch Case Manufacturing Company and the Hampden Watch Company, of Canton, Ohio.

The undersigned approve the foregoing statement:

Hamilton Watch Co., by Charles D. Rood, president, New York Standard Watch Co., per C. S. Wilson, secretary; Rockford Watch Co. (Ltd.), per J. Louis Bennett, agent; Illinois Watch Co., by Jacob Bunn, president; Elgin National Watch Co., by Charles H. Hulburd, president; E. Howard Watch Co., by E. R. Snow, general manager and secretary; Waltham Watch Company, by Francis R. Appleton, vice-president.

ALBERT M. DUEBER, PRESIDENT OF THE HAMPDEN WATCH COMPANY, FILES AN ADDITIONAL STATEMENT.

CANTON, OHIO, *December 10, 1908.*

Mr. WILLIAM A. CALDERHEAD,
Committee on Ways and Means,
House of Representatives, Washington, D. C.

MY DEAR SIR: I have written to the balance of the signers of the brief, asking them for facts and figures in regard to pay roll, and the Elgin Company will send me their figures in a few days. I have not yet heard from the balance of them.

In regard to the Swiss figures, it may be a little more difficult for me to get these, but I shall do the best I can.

In the Hampden Watch Company, taking a basis of sixty hours per week, the men average $18.93, the women $8.07, and the boys $5.19 per week.

Trusting that this is what you want, and hoping I shall be able to give you some additional figures in a very short time, I remain,

Yours, very truly,

ALBERT M. DUEBER,
President Hampden Watch Company.

SPRINGFIELD, ILL., *December 11, 1908.*

Mr. ALBERT M. DUEBER,
President Dueber-Hampden Watch Company,
Canton, Ohio.

MY DEAR MR. DUEBER: I am in receipt of your favor of the 8th, which I find awaiting me on my return this morning.

I can not at the present time send you the average wages paid to men, women, and boys in our factory, but the average wage per employee for the years 1905, 1906, and 1907 was $2.18 per day. The wages in 1905 average $2.13; 1906, $2.20; 1907, $2.21.

Digitized by Google

It will be some trouble for us to go through our pay rolls for these years and get the average for the men, women, and boys, but this could be done if it is necessary for you to have it.

I regret I can give you no information in regard to wages paid by foreign manufacturers.

I received the three copies of the brief which you sent on the 7th.

With kindest regards, I am, very truly, yours,

JACOB BUNN,
President Illinois Watch Company.

ROCKFORD, ILL., *December 11, 1908.*

Mr. ALBERT M. DUEBER,
Care Hampden Watch Company, Canton, Ohio.

DEAR SIR: I beg to acknowledge yours of the 8th with inclosed copy of letter from W. A. Calderhead, and note your request that we furnish you with the average wages paid by our company for men, women, and boys, and also any information we can furnish regarding foreign salaries. I beg to state that I have investigated the matter, and find that the average pay in our shop is 21 cents per hour per capita. I hardly think you want this information divided to show the average pay to men, women, and boys, but should this be necessary, you can let me know and I will endeavor to procure same. I might also state that we employ very few boys, and believe that about 12½ cents per hour is the average earnings of our female help. We have a couple of men in our employ who up to quite recently were employed in Switzerland, and we interrogated them as to the average earnings over there, and they stated that they believed that the average earnings would be between 5 and 6 francs per day of ten hours, and that the average earnings of females are between 2 and 3 francs per day of ten hours.

I am pleased that you have taken this matter in hand, and will be too pleased to render you any assistance in my power. I understand that the Swiss watch importers are making a concerted effort to obtain a reduction of tariff, but I hardly consider this possible, as I can not imagine what good reasons they can offer.

I remain, very truly, yours,

JACOB FRANKS,
President Rockford Watch Company.

WALTHAM, MASS., *December 12, 1908.*

Mr. ALBERT M. DUEBER,
Hampden Watch Company, Canton, Ohio.

DEAR SIR: In response to your letter of 8th instant (inclosing letter from Congressman W. A. Calderhead, calling for statement of wages, etc.), we will say that our pay roll for November, not including officers' salaries, amounted to $174,933.87. This amount, distributed among our employees, numbering 3,739, including males and females, gives an average of $46.78 each for the month, which, owing to holidays in connection with Thanksgiving and weekly half-holidays, amounted to

Digitized by Google

only 200 hours, making an average of $2.39 per hour. Dissecting this general average, in order to distinguish certain prominent groups of workers, which may be compared with similar lines of work in European countries, we may take the following for examples:

Department.	Total employed.	Number of males.	Daily average wage.	Number of females.	Daily average wage.
Adjusting	245	159	$3.75	86	$1.59
Machine	199	197	3.17	2	1.77
Mainspring	86	42	2.87	44	1.50
Train making	313	91	3.04	222	1.46
Dial making	129	71	3.19	58	1.50
Jewel making and setting	187	67	3.40	120	1.34
Average	.....	.....	3.24	.....	1.52

We find the average of these six groups, selected for the purpose of intelligent comparison, to be almost identical with the grand average of the total factory wage, as will be seen.

We have recent and reliable information as to wages in England, Switzerland, and Italy, the three countries which engage directly in the manufacture of watches, or parts of watches, such as jewels, mainsprings, and dials. It may be said that in most, if not all, of these European countries the scale of wages has been advanced within the past few years by the action of numerous labor unions.

The following table will serve to show the average wages in these several countries as compared with wages paid by the Waltham Watch Company for similar work:

	Weekly.				Daily.			
	England.		Switzerland.		Northern Italy.[a]		Waltham.	
	Men.	Women.	Men.	Women.	Men.	Women.	Men.	Women.
Minimum per week	28 s. ($7)	16 s. ($4)	5 francs($1)	.....	.....	15 cents	.....	.....
Maximum per week	35 s. ($8.75)	18 to 25 s. ($4.50 to $6.25)	6 francs ($1.20)	4 francs (80 cents)	.....	30 cents	$3.24	$1.52

[a] Southern Italy, lower wages and longer hours.

Or, reduced to a uniform basis of daily wage in United States money—

	England.		Switzerland.		Northern Italy.		Waltham.	
	Men.	Women.	Men.	Women.	Men.	Women.	Men.	Women.
Average per day	$1.31	$0.85	$1.10	$0.80	$0.33	$0.22½	$3.24	$1.52

Yours, truly,

WALTHAM WATCH COMPANY,
E. C. FITCH, *President.*

P. S.—We do not, as a rule, employ boys; have a few errand boys only, not over 12 in number at any time, earning about 75 cents per day.

Digitized by Google

ELGIN, ILL., *December 15, 1908.*

Mr. CHARLES H. HULBURD,
President Elgin National Watch Company, Chicago.

DEAR MR. HULBURD: Our records are kept in such a way that we can not without a great deal of additional work give separately the average wages "paid the men, women, and boys" in this factory, as requested by Mr. Dueber in his letter of the 8th instant, because for that purpose we do not group our employees with regard to both age and sex, but only with regard to sex. Perhaps, however, the following will answer his purpose just as well:

	Average wages per day.
Skilled labor (men)	$4.19
Males (entire force)	3.06
Females (entire force)	1.65
Total (entire force)	2.40

This does not include salaries to superintendents, foremen, or employees of executive offices.

We have no means of knowing what wages are paid abroad in the watch industry; and if we did, it would be impossible, on account of the dissimilarity of methods and appliances, to make a comparison except in a general way.

The only official statistics we know of relating to wages in the United States and Europe are those contained in Bulletin No. 54 (September, 1904) of the Bureau of Labor, and while they do not include the watch industry, it seems to me it might fairly be assumed that European workmen receive the same percentage of American wages in the watch industry as they do in the industries covered by the above-mentioned statistics, for, as stated on page 1126 of the bulletin, "while the figures presented should be considered as relating to the particular occupations covered, it is, nevertheless, safe to say that they are at least indicative of the general course of wages in all occupations and industries."

Referring to the table on page 1125 of the bulletin, if we average the percentage of American wages paid in Germany and France (countries in which the watch industry is carried on, and immediately surrounding Switzerland, its principal seat) in the thirteen leading occupations we find that in 1903 (the latest year covered by the statistics) the wages paid per hour in those countries were only 37½ per cent of those paid in the United States.

It is stated on page 1124 of the bulletin that "the wages for each foreign country were collected in two or three of the large centers of industry," where wages are presumably highest. Now, the watch industry in Europe is carried on mostly in rural communities, while the contrary is true in this country; so, it is quite possible that the average wages per hour in the watch industry abroad are even less than 37½ per cent of those paid in the United States.

Probably Mr. Dueber has a copy of Bulletin No. 54, as it is distributed gratis to manufacturers throughout the country.

Yours, very truly,

GEO. E. HUNTER,
Superintendent Elgin Watch Company.

Digitized by Google

DECEMBER 21, 1908.

Hon. W. A. CALDERHEAD, M. C.
Committee on Ways and Means,
House of Representatives, Washington, D. C.

DEAR SIR: We are advised that you have requested information as to the wages paid operatives in watch factories in the United States and in foreign countries. On this subject we beg to give you below the following figures taken from our books for the year 1907, that being the last calendar year for which we can give you complete figures. The year 1908 will not show any material change:

Average daily number of employees for the year 1907	716
Average paid per day for skilled operatives for the year 1907	$3.13
Average paid per day for unskilled workmen for the year 1907	$2.07
Average paid per day for women and boys for the year 1907	$1.48

We regret that we are unable to give you at this writing absolute information as to wages paid in watch factories in foreign countries, as we have no recent information on this point, but we can state that a representative of this factory who spent some months in Switzerland in 1903 among manufacturers of watches and of watch material in that country reported to us at the time that workmen were receiving from 3.50 to 6 francs per day, which is equal to 70 cents to $1.20; that women, boys, and girls were receiving from 2 francs to 3.50 francs per day, which is equal to 40 cents to 70 cents.

Very respectfully, yours,

NEW YORK STANDARD WATCH COMPANY,
Per C. S. WILSON, *Secretary.*

WALTHAM, MASS., *December 29, 1908.*

Hon. W. A. CALDERHEAD, M. C.,
Committee on Ways and Means,
House of Representatives, Washington, D. C.

DEAR SIR: In reply to your inquiry as regards average wages paid to workmen in our factory as compared with those paid in watch factories in foreign countries, would say we have employed in our factory 285 operatives, embracing both skilled and unskilled labor.

Skilled workmen, average per day	$4.50
Unskilled workmen, including girls operating automatic machines, etc., average per day	2.75
All others, including boys and girls, average per day	1.24
Total average of all classes per day	2.80

To compare this with wages paid in watch factories in Switzerland, we would refer you to the report of Special Agent A. B. Butman, which appears on page 1 in the Daily Consular Trade Report of February 11, 1907, published by the Department of Commerce and Labor, Bureau of Manufactures, wherein he states that wages in the watch industry in Switzerland vary from 2.50 francs (50 cents) per day to 10 francs ($2) per day, the latter being for adjusters. It is well known that the adjusters receive much higher wages than anyone else in this industry, and in our own factory we have adjusters who are paid as high as $6 per day.

Digitized by Google

Another thing which should be taken into consideration in this comparison is that our wages are based on ten hours per day, whereas in Switzerland the wages are based on eleven hours per day.

Very truly, yours,

E. HOWARD WATCH COMPANY,
E. R. SNOW,
Secretary and General Manager.

DECEMBER 29, 1908.

Mr. ALBERT M. DUEBER, *Canton, Ohio.*

DEAR SIR: Yours of December 23 is received and would have been replied to at an earlier date but for the intervention of the holidays.

Answering your inquiry as regards the export business done by this company, would say that although we have tried very hard for several years to develop a market for our goods in foreign countries we have made little or no progress, as is evidenced by the fact that our export business for the last five years has been something less than 6 per cent of our output.

Knowing that we have a good article at a low price we felt that by persistent effort we could develop a market for it in foreign countries, but owing to the great difference in the cost of manufacturing our watches and those offered in competition therewith by the Swiss manufacturers, due to the difference in wages paid the workmen in the two countries, it seems impossible to make any headway, for if we succeed in getting a dealer interested in our line, as soon as he begins to develop a trade in our watches a Swiss manufacturer comes along with something made in imitation thereof at a price which kills the sale of our article.

Very truly, yours,

THE NEW YORK STANDARD WATCH COMPANY,
C. S. WILSON, *Secretary.*

WALTHAM, MASS., *December 26, 1908.*

Mr. ALBERT M. DUEBER,
President Hampden Watch Company, Canton, Ohio.

DEAR MR. DUEBER: Answering yours of the 23d instant, in reference to Mr. Calderhead's request for information as to what percentage of our business is export, we are pleased to advise you that, as far as we know, none of our goods are exported, our entire product being sold to the wholesale watch dealers in this country.

If there is any further information you desire we trust that you will not hesitate to so advise us.

Yours, very truly,

E. HOWARD WATCH CO.,
E. R. SNOW, *General Manager.*

Digitized by Google

ROCKFORD, ILL., *December 28, 1908.*

Mr. ALBERT M. DUEBER,
President Hampden Watch Company, Canton, Ohio.

DEAR SIR: Beg to acknowledge yours of the 23d and note that Mr. Calderhead requests additional information, and would like to know what percentage of business of each American watch manufacturer is foreign business.

Responding, beg to state that a couple of years ago we made up some watches suitable for the foreign market and exported same, but inasmuch as we were obliged to meet competition the business proved a loss, and we decided that we could not continue to market our product in this way.

Should Mr. Calderhead desire to know the exact value of what watches we sold on the other side, we will have the matter looked up, and will be pleased to furnish this additional information.

I remain, very truly, yours,

J. FRANKS,
President Rockford Watch Co.

SPRINGFIELD, ILL., *December 28, 1908.*

ALBERT M. DUEBER,
President Dueber-Hampden Watch Company,
Canton, Ohio.

DEAR MR. DUEBER: Replying to your inquiry of the 23d in regard to foreign business of this company, would say that our export business, which is confined exclusively to the Dominion of Canada, was for the year 1908 to date less than 2 per cent of our sales. This is a fair average of our foreign business.

Very truly, yours,

ILLINOIS WATCH COMPANY,
JACOB BUNN, *President.*

CHICAGO, *December 28, 1908.*

Mr. ALBERT M. DUEBER,
Canton, Ohio.

DEAR MR. DUEBER: As I was absent from the office the latter part of last week I did not receive your favors of December 23 and 26 until this morning. I at once had our foreign and domestic sales figured accurately and telegraphed you the result. In 1907 our foreign sales were 5¼ per cent of our total business. In 1908 our foreign sales are 5⅛ per cent of our total business.

I am glad you have written the Waltham Company and asked them to furnish to the Ways and Means Committee a statement of their business.

Our foreign business amounts to a mere trifle, and, frankly, I wish we did not have it at all. It has been a positive loss to us. It was only entered into after the great panic of 1893–1896. At that time wages were very low and we had no market in this country, and we endeavored to build up with some foreign trade on a cheap line of watches, hoping to keep our factory alive. When wages advanced

Digitized by Google

this business showed a dead loss, and when the business of this country became sufficiently large so we could fill our demand (and it occurred in 1898, lasting until 1906) we still kept our foreign trade, small though it was, with the hope that when another panic came we would have so enlarged our field of demand we would be able to keep the factory running on short time at least on foreign orders. Unfortunately, our foreign trade has not grown. The Waltham Company have the bulk of all that trade except watches made in Switzerland. We find it difficult to change the minds in countries where they are so fixed and rigid, and the result has been that this year our foreign business has been a trifle less than our home business relatively, and actually the foreign business amounted to but 5 per cent of the total business as stated above. Meantime during the past ten years our wages have advanced, cost and material has advanced, and the price of watches in this country has not advanced nor abroad either. Our foreign sales are most decidedly a loss, and we think of abandoning it entirely.

Very sincerely, yours,

CHARLES H. HULBURD,
President Elgin National Watch Co.

SPRINGFIELD, MASS., *December 29, 1908.*

Mr. ALBERT M. DUEBER,
Canton, Ohio.

MY DEAR SIR: I am just now in receipt of your valued favor of the 23d instant (forwarded from Lancaster), and note the desire of Mr. Calderhead, member of the Committee of Ways and Means, for a statement of the percentage of foreign business of each American watch manufactory. With the Hamilton Watch Company it has no percentage; we do not do any foreign business.

I am pleased to say that I shall be very glad to cooperate with you in any business way, and wishing you the fullest measure of prosperity for the new year, I am,

Cordially, yours,

CHARLES D. ROOD,
President Hamilton Watch Company of Lancaster, Pa.

SOUTH BEND, IND., *December 29, 1908.*

Mr. ALBERT M. DUEBER,
President Hampden Watch Company, Canton, Ohio.

MY DEAR SIR: Replying to yours of the 23d, will say that up to the present time we have done practically no foreign business, unless you would consider business done in the Dominion of Canada as being foreign business.

Yours, very truly,

S. D. RIDER,
Vice-President South Bend Watch Co.

Digitized by Google

THE NEW YORK STANDARD WATCH CO. PROTESTS AGAINST REDUCTION OF DUTY ON WATCH MOVEMENTS.

NEW YORK CITY, *December 28, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The plant of the New York Standard Watch Company is at Jersey City, N. J.

This company was organized in August, 1886.

It began operations in December, 1886, and the first watch movements were produced in 1889.

The average number of hands employed for the year 1907 was 716.

Prior to 1897, when the Dingley bill went into effect, the company earned no dividend, and it was not until after the specific duty, in addition to the ad valorem duty, was placed upon watch movements that, in 1899, the company was able for the first time to pay a dividend on its stock of 3 per cent per annum.

The New York Standard Watch Company manufactures only low-price watch movements, which are brought in direct competition with that class of Swiss watch movements specified in the tariff schedule as "7 jewels and under," of which there were imported into the United States under that classification in 1907, 857,184 movements, as against 147,155 movements in 1898, the year the Dingley bill became operative, which shows an increase in the importation of Swiss movements of 482 per cent, notwithstanding the addition of the specific duty.

The Swiss watch manufacturers can successfully compete with and undersell the product of this company solely for the reason of the cheapness of Swiss labor.

There will be submitted with this brief exhibits consisting of three watch movements of Swiss manufacture, marked, respectively, X, Y, and Z; also three watch movements made by the New York Standard Watch Company, marked, respectively, 1, 2 and 3.

The absolute proof that it is the cheapness of the Swiss labor which accounts for the ability of the Swiss manufacturer to produce watch movements at the present cost is found by comparing the exhibits herewith submitted.

Exhibits 1, 2, and 3 (movements made by the New York Standard Watch Company) represent the grades of movements which constitute almost the entire output of the factory.

The average labor cost alone on these movements for 1907 was 62 cents.

And the labor cost for 1907 was the lowest ever reached by this company.

Exhibits X, Y, and Z (Swiss watch movements) are imported at a cost not exceeding 50 cents each.

The aforesaid cost of the Swiss movements, including labor, material, commercial expenses, transportation charges, and also the profit of the manufacturer, is but 50 cents per movement, while the cost of labor alone on our movements is 62 cents per movement; and in making up the total cost of our movement there must be added to the—

Digitized by Google

Labor cost of	$0.62
For material	.31
For factory expenses	.11
Making a total cost of	1.04

This does not include any interest on investment or allowance for depreciation of plant, commercial expenses, or profit.

Under the present tariff the Swiss movements referred to, when marketed in this country, have added to the—

Importers' cost of	$0.50
25 per cent ad valorem duty	.12½
Specific duty	.35
Making a total cost to importers	.97½

and this includes expenses and the manufacturers' profit.

It is impossible for us to produce our movements, which come in direct competition with those of Swiss manufacture, for 97½ cents.

The importer sells the Swiss movements herein referred to to the jobber for $1.05, but any jobber can import these movements himself in moderate quantities for 97½ cents, duty paid.

Our selling price to the jobbers averages $1.21.

By reason of this very great difference in price and similarity in appearance, dealers are able to market a large quantity of Swiss movements, as shown by the great increase in the importation between 1898 and 1907, as hereinbefore set out, to the serious detriment of those of our manufacture.

Before the present tariff went into effect, and when the duty on watch movements was only 25 per cent ad valorem, the American importers of Swiss watches sold these identical grades of movements to the jobbers at $1.35, and at that time there was no specific duty imposed upon them; and now, with both an ad valorem of 25 per cent and a specific duty of 35 cents each upon them, they are sold at $1.05. This is due to the fact that at the present time the Swiss watch factories are equipped with American watch machinery and Swiss duplicates thereof. The irresistible conclusion therefore is, that solely on account of the low price of Swiss labor can the Swiss manufacturers of watch movements compete with and undersell our domestic product.

In our factory the average wages paid per day (nine hours) for—

Skilled labor in 1907 was	$3.13
For unskilled labor (men)	2.07
For unskilled labor (women and boys)	1.48

These figures stand out in bold contrast to the meager wages paid in Switzerland for labor of the same character, as evidenced by the comparison of 50 cents for the entire cost, including labor, material, expenses, and profit of the Swiss movement, against 62 cents for cost of labor alone on our movements, and fully explains how watch movements can be made cheaper in Switzerland than we can make ours.

Any decrease in the duty on watch movements closes our factory! Not only would a large number of American operatives be deprived of the means of earning an adequate amount to provide a suitable support for themselves and families, but the Government itself would

Digitized by Google

lose a large revenue in the way of duties upon the jewels imported and used in the manufacture of our watches.

This company does not sell its watch movements for export at a lower price than it sells them for the domestic market.

The average number of movements exported by this company from 1902 to 1907 (both inclusive) was less than 6 per cent of the total output of the factory.

We have made all possible efforts to build up an export business, but the competition of foreign manufacturers employing labor at a much lower rate than it can be procured in America has enabled our competitors to produce their goods at a much lower figure than we can ours, and the markets of all other countries are taken from us.

During the period of six years from 1902 to 1907 we had our direct representatives in a territory embracing over one-half of the population of the world, and they were met by the competition of foreign watch manufacturers, against whom no headway could be made by reason of our competitors being able to undersell us.

The sales made by our representatives in the above territory during that period did not exceed $5,000 per annum.

Who is it that is asking for a reduction of the tariff on watch movements? It is not the consumer, because our watches are sold for less than ever before; nor the general public; nor has any such demand been made by the press or by any trade association.

Those who are seeking a reduction in the duty are Swiss manufacturers and their American agents, who desire to increase their business by still further underselling us, and thus drive us out of business and deprive the American laborer of his full, just, and adequate pay.

Watches are luxuries; at best, conveniences. They are not necessaries of life, and if the production of them in this country will give employment to a large number of its citizens without hurt to the general public, we submit that it is the duty of the Government to protect and foster their manufacture by an adequate tariff.

Undervaluation is and will be resorted to for the purpose of escaping payment of full duty. Within the present year two large watch-importing houses in New York have been made to pay large fines for undervaluation.

An ad valorem duty alone will neither protect our industry nor produce the required revenue for the Government.

A specific duty equivalent to or more than the present ad valorem and specific duty together is the proper and the only safeguard against fraudulent entries.

In order to provide protection for the manufacturers of American watch movements of seven jewels and under a specific duty equivalent to 25 per cent of the average cost of American movements of seven jewels and under, plus 35 cents apiece each, should be levied on foreign-made movements of seven jewels and under.

It is respectfully submitted that our recommendation be adopted by your committee.

NEW YORK STANDARD WATCH COMPANY,
Per C. S. WILSON, *Secretary*.

Digitized by Google

HAMILTON WATCH CO., LANCASTER, PA., SUBMITS BRIEF REGARDING SWISS IMITATION RAILROAD WATCHES.

LANCASTER, PA., *December 31, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
Washington, D. C.

DEAR SIR: We desire to submit to you the following facts in reference to the frauds upon the public practiced by the importers of certain foreign watches.

In this country there is a careful system of inspection of watches designed for use on railroads, and a certain standard of excellence has been established. To conform to this standard a watch must have at least 17 jewels and be adjusted to heat and cold and to three positions. The requirements often go further than this, and call for 23 jewels and adjustment to heat and cold and five positions. As a result, railroad watches are generally understood by the consumer in this country to be watches of a very high grade. Advantage is taken of these facts, and the public are deceived by the following devices:

1. The use of fictitious names and initials to simulate the names of well-known American manufacturers of railroad watches. An example of this form of deception is shown in Exhibit F, which is a Swiss watch movement in a pasteboard submitted herewith; on this watch movement are the initials "H. W. Co.;" and in Exhibit E, which is marked "J. P. Hamlin." Both of these movements are intended to be sold as watches made by the Hamilton Watch Company. No such person as John P. Hamlin is believed to exist in Switzerland, and it is obvious that a purchaser might readily mistake a "Hamlin" watch for a "Hamilton" watch. The significance of the mark "H. W. Co." requires no comment.

2. The use of pictures of locomotives on the dial and the use of such names as "Railroad trainmen special," "Engineers' special," "Railroad special." Exhibits A, B, C, and D are so marked. The only purpose of this marking is to induce the public to believe that they are buying a watch of the grade generally known in this country as a railroad watch.

3. The use of the terms "heat and cold" and "six positions." These words convey the impression that the movements on which they are stamped are adjusted to heat and cold and to six positions, which is not the fact. American-made movements which are so adjusted cost at least ten times as much as the movements in question.

4. The employment of the terms "highly jeweled" and "richly jeweled," with a blank space for engraving, after passing the customhouse as a low-jeweled movement, the words "19-21-23" intending to convey the idea that they are movements containing that number of jewels. For an example of this see Exhibit E, where the letters "21" have been stamped after importation. We particularly direct your attention to this exhibit and to the way in which the letters "21" are placed upon the movement. It is palpable that "21" and "highly jeweled" were not stamped on this movement at the same time.

Digitized by Google

The cost to the jobber of the various exhibits submitted herewith are as follows:

Railroad special, Exhibit A	$1.65
R. R. trainmen special, Exhibit B	1.65
Engineers' special, Exhibit C	1.65
Hartford, Exhibit D	1.65
J. P. Hamlin, Exhibit E	1.75
H. W. Co., Exhibit F	1.70
H. W. Co., Exhibit G	1.57½

If such fraudulent movements should be sold at all at retail a reasonable profit would be from 25 per cent to 33 per cent; but by reason of the deception practiced they are sold to the innocent consumer at a profit between 500 per cent and 1,000 per cent. The cheapest genuine railroad watch movements are sold to the jobber at from $16 to $18.

The watch movements submitted as exhibits are, in fact, not highly jeweled, nor adjusted to different positions, nor are they in any respect well made. These movements have been carefully examined by Mr. Hunter, of the Elgin Watch Company, and his affidavit, showing in detail the results of his examination, is hereto annexed and marked "Exhibit A."

Very truly, yours,

HAMILTON WATCH CO.,
By CHAS. D. ROOD, *President.*

AFFIDAVIT OF GEORGE E. HUNTER.

STATE OF ILLINOIS, *County of Kane, ss:*

George E. Hunter, of lawful age, being first duly sworn, upon oath deposes and says that he is the general superintendent of the factories of the Elgin National Watch Company, at Elgin, county of Kane, and State of Illinois; that he has examined the seven watch movements which are herewith transmitted under notarial seal, and that the memorandum hereto attached is a correct statement of his findings therein.

And further this affiant saith not.

GEORGE E. HUNTER.

Subscribed and sworn to before me this 28th day of December, 1908.

MORTIMER S. ALDRIDGE,
Notary Public.

MEMORANDUM OF EXAMINATION OF SWISS WATCH MOVEMENTS IN BOXES MARKED "A," "B," "C," "D," "E," "F," AND "G," AND BELONGING TO THE PHILADELPHIA WATCH CASE COMPANY.

Movement in box marked "A."

Stamping: On top plate pieces "R. R. special," "Specially adjusted."

Jeweling: Total number of jewels in this movement is 7, distributed as follows:

Top plate (3d, 4th, escape and pallet, pivot holes, one each)	4
Lower plate (balance pivot hole, no endstone)	1
Balance bridge (balance pivot and endstone)	2

No jewels in roller or pallet.

A piece of red celluloid or similar substance surrounds upper center pivot hole, to imitate a jewel. The pivot actually runs in the brass plate.

Balance: This is of the compensation type, with bimetallic (steel and brass) rim. The rim is not cut.

Hairspring: Composition.

Escapement: Double roller.

Adjustment: This movement is not adjusted, in the ordinary acceptance of the word.

Digitized by Google

Movement in box marked "B."

Stamping: On top plate pieces "R. R. trainmen's special," "Nonmagnetic," "Adjusted," "Highly jeweled."
Jeweling: Total number of jewels in this movement is 7, distributed as follows:

Top plate (third, fourth, escape, and pallet pivot holes, one each)	4
Potance (balance-pivot hole, no end stone)	1
Balance bridge (balance-pivot hole and end stone)	2

No jewels in roller or pallet.
Balance: Solid; German silver.
Hairspring: Composition.
Escapement: Single roller.
Adjustment: This movement is not adjusted, in the ordinary acceptance of the word.

Movement in box marked "C."

Stamping: On top plate pieces "Engineers' special," "Adjusted."
Jeweling: Total number of jewels in this movement is 7, distributed as follows:

Top plate (third, fourth, escape, and pallet pivot holes, one each)	4
Potance (balance-pivot hole, no end stone)	1
Balance bridge (balance-pivot hole and end stone)	2

No jewels in roller or pallet.
Balance: Solid; German silver.
Hairspring: Steel.
Escapement: Single roller.
Adjustment: This movement is not adjusted, in the ordinary acceptance of the word.

Movement in box marked "D."

Stamping: On top plate pieces "Hartford," "Adjusted," "Heat and cold," "Six positions," "Highly jeweled."
Jeweling: Total number of jewels in this movement is 7, distributed as follows:

Top plate (third, fourth, escape, and pallet pivot holes, one each)	4
Lower plate (balance-pivot hole, no end stone)	1
Balance bridge (balance-pivot hole and end stone)	2

No jewels in roller or pallet.
Balance: Solid; German silver.
Hairspring: Steel.
Escapement: Double roller.
Adjustment: This movement is not adjusted, in the ordinary acceptance of the word.

Movement in box marked "E."

Stamping: On top plate pieces "John P. Hamlin," "Adjusted," "Highly jeweled" ("21" has been stamped before the word "Highly" since the plate was finished), "Heat & Cold," "Six positions."
Jeweling: Total number of jewels in this movement is 7, distributed as follows:

Top plate (third, fourth, escape and pallet pivot holes, one each)	4
Lower plate (balance pivot hole, no endstone)	1
Balance bridge (balance pivot hole and endstone)	2

No jewels in roller or pallet.
Balance: Solid. German silver.
Hairspring: Steel.
Escapement: Double roller.
Adjustment: This movement is not adjusted, in the ordinary acceptance of the word.

Movement in box marked "F."

Stamping: On top-plate pieces "H. W. C.," "Heat and cold," "Six positions," "Ruby jewels."
Jeweling: Total number of jewels in this movement is seven, distributed as follows:

Top plate (third, fourth, escape and pallet pivot holes, one each)	4
Lower plate (balance pivot holes, no endstone)	1
Balance bridge (balance pivot holes and endstone)	2

Digitized by Google

No jewels in roller or pallet.

A piece of red celluloid or similar substance surrounds the center pivot hole in the top plate, also the barrel-arbor pivot hole in the barrel bridge, to imitate ruby jewels. The pivot in both instances runs in the brass plate.

Balance: Solid. German silver.

Hairspring: Steel.

Escapement: Double roller.

Adjustment: This movement is not adjusted, in the ordinary acceptance of the word.

Movement in box marked "G."

Stamping: On top-plate pieces "H. W. C.," "Adjusted," "Heat and cold," "Six positions," "Ruby jewels."

Jeweling: Total number of jewels in this movement is seven, distributed as follows:

Top plate (third, fourth, escape and pallet pivot holes, one each)...	4
Lower plate (balance pivot hole, no endstone)	1
Balance bridge (balance pivot hole and endstone).....	2

No jewels in roller or pallet.

Balance: Solid. German silver.

Hairspring: Steel.

Escapement: Double roller.

Adjustment: This movement is not adjusted, in the ordinary acceptance of the word.

THE WALTHAM (MASS.) WATCH COMPANY SUBMITS BRIEF STATEMENT RELATIVE TO ITS FOREIGN BUSINESS.

BOSTON, *December 31, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
Washington, D. C.

DEAR SIR: We beg to submit herewith a brief statement concerning our foreign business.

This company manufactures and sells various movements on foreign accounts. The watches made for the foreign trade are to a very considerable extent not the same as the watches made for the home market. For this company's foreign trade, which, including Canada, is 18 per cent, and excluding that country 11 per cent of its total business, it is necessary to sell cases with the watches, and so far as the European market is concerned it has been found that the company's movements sell more readily with Swiss dials than those made by the company for home consumption. Waltham watches cost the consumer more in Europe than they do in New York. An extra concession has been made to certain foreign jobbers. The reasons for this concession are that the foreign jobbers are not so well equipped for handling a large business as the jobbers in the United States, who are content with a margin of profit, expense and losses paid, probably not exceeding 5 per cent. In addition to this the foreign dealers are put to the further and special expense involved in the introduction of American watches in undeveloped markets. They demand, therefore, larger profits, which the company is obliged to pay in order to sell its watches. The result is that the company receives a smaller price from the foreign dealers. The main purpose of our foreign business has been to secure a broader market, and thereby make it possible for us to run our factory during periods of business depression in this country. But this course has proved commercially unprofitable. The extra concession which has been allowed, as already stated, to the foreign jobbers has been materially

Digitized by Google

decreased, and soon will have entirely disappeared. Our watches having become fairly well known in Europe, a considerable demand for them has arisen, and we think it is now no longer advisable for us to give the jobber these additional inducements to sell them. We therefore intend to retain only such portion of our foreign business as may be possible after making substantially the same arrangements with foreign jobbers as those now made with jobbers in the United States.

We wish to emphasize the fact that the consumer pays rather more for Waltham watches in London than in New York, as is abundantly proved by the facts given in Congressman Boutell's speech in the debate of April 26, 1906, where the London and New York prices for thirteen different grades of Waltham watches are given. The corresponding prices on our principal movements are contained in Exhibit A, hereto annexed.

Very truly, yours,

WALTHAM WATCH CO.

EXHIBIT A.

Descriptions.	London prices, H. W. Bedford & Co.	New York prices.		
		Howard & Co.	Geo. N. Joyce.	A. C. Benedict & Co.
Riverside, 16 s., O. F., in 14 k. 25-year filled case	$42.00	$35.00	$34.00	$32.00
Riverside, 16 s., Htg., in 14 k. 25-year filled case	43.20	35.00	35.00	33.00
Riverside, Os., O. F., 17 j., in 14 k. 25-year filled case	35.28	33.00	.....	26.00
Riverside, Os., Htg., 17 j., in 14 k. 25-year filled case	36.48	33.00	.....	28.00
Riverside, Os., O. F., in solid 18 k. gold case	55.44	50.00	.....	.....
Riverside Maximus, 16 s., O. F., in 14 k. 25-year filled case	79.20	75.00	80.00	63.00
Riverside Maximus, 16 s., Htg., in 14 k. 25-year filled case	80.40	75.00	80.00	65.00
Riverside Maximus, 16 s., O. F., in solid 18 k. gold case	132.00	125.00	.....	100.00
Riverside Maximus, 16 s., Htg., in solid 18 k. gold case	141.60	125.00	.....	110.00
Royal, 16 s., O. F., in 14 k. 25-year filled case	28.80	.....	.....	26.00
Royal, 16 s., Htg., in 14 k. 25-year filled case	30.00	.....	.....	28.00
P. S. Bartlett, 18 s., 17 j., O. F., in 14 k. 25-year filled case	30.24	.....	.....	22.00
P. S. Bartlett, 18 s., Htg., in 14 k. 25-year filled case	31.44	.....	.....	24.00

WATCH DIALS.

[Paragraph 191.]

THE O'HARA WALTHAM DIAL CO., WALTHAM, MASS., ASKS FOR NEW CLASSIFICATION FOR WATCH DIALS.

WALTHAM, MASS., *November 23, 1908.*

Hon. SERENO E. PAYNE, M. C.,
Chairman Committee on Ways and Means,
House of Representatives, Washington, D. C.

SIR: Responding to the notice of your committee that, on the 25th instant, you will consider Schedule C—Metals, and manufactures of—as makers of watch dials and other enameled goods, we have the honor to submit the following brief statement. We do not solicit undue

Digitized by Google

protection under the tariff law. In fact, our appeal is mainly for such rate of duty on the imported goods as will prevent us from abandoning the manufacture of enameled dials, etc., in the United States.

We commenced the business of manufacturing enameled dials in 1890, and through varying vicissitudes, owing to the sharp competition, and oftentimes peculiar conditions involved in the importation of the foreign goods, we have come to a place where, without a fair measure of protection, our works must be closed. We have assembled at very large expense the necessary machinery for making these goods, and have secured highly skilled labor necessary for their production, in order to compete with the Swiss dial makers.

In 1897 there were 17 dial manufacturers in this country, located in the following States: Massachusetts, Rhode Island, Connecticut, New York, Pennsylvania, and Illinois. We alone survive as manufacturers of fine wares.

We have never been imitators in this business, for at large expense we have invented processes for the transferring of mineral paints to fragile vitreous wares. Many American instrument manufacturers, whose goods we formerly furnished, now buy their dials abroad. In 1896 employees of our factory were enticed away by our foreign competitiors, and since then the imported goods have come in in such competition that we have been unable to meet the same, the protective rate of duty being insufficient.

In reference to watch dials particularly we will later specify the conditions which tend to rob us of our life as American manufacturers and give a latitude to importers of such dials, so that we are unable to compete with them. We do not fear honest competition. In the administration of the customs law applicable to imported watch dials we can briefly say: Dials rarely, if ever, are counted, the invoice being entirely relied upon for quantity and values, on which latter the 40 per cent ad valorem is to be assessed. The present statistics of imports of the goods in question are so vaguely recorded that it is impossible to state accurately the value of the imported goods.

We are at a great disadvantage also in respect to imports of enamels which we use (fusible enamels), the same being dutiable under paragraph 113 at 25 per cent ad valorem. Again arises the question of the administration of the customs on enamels, for it appears that many such enamels actually dutiable at 25 per cent ad valorem are passed as free goods.

Foreign-made enameled dials are placed on American instruments and sold at home and abroad as American goods. To avoid the law relative to stamping foreign goods as to country of origin the foreign dial makers, with the consent of our customs authorities, use a rubber stamp with which to mark on the back of the dial the country of manufacture. The rubber stamp makes a mark so easily rubbed off that to suit their purposes after importation the said marks are wiped away, and the object of the stamping law is nullified. Importers of foreign dials have been unable thus far to induce any foreign dial manufacturer of any note to transfer his plant to this country.

With a fair protective rate, and honest, intelligent application of the tariff laws, our industry can thrive. It may be of surprise to your committee to know that we employ very high-paid labor. Our

Digitized by Google

loss in manufacture is enormous, on account of the extreme fragility of our product and the danger in our furnaces, from spoiling, by overheating, the vitreous glass; consequently our wastes are very heavy. Compared with the cost of making dials and other enameled goods here, and the cost in Europe, with such a disparity in favor of the latter, that we are confronted with the necessity of being accorded a fair measure of protection.

To indicate with the best available figures at our command the importations of the foreign watch dials, we would say that whereas in 1898 the value of the import was $232,449, paying duty in the sum of $92,979, the imports for the year 1907 aggregated $844,006, yielding $337,602 in duties.

We will later present for the consideration of your committee certain suggestions as to the manner in which the paragraph in the tariff relating to our goods may be framed, in order that in the administration of the law we may secure the rates of protection which Congress, by enacting the same, may intend to be operative.

Respectfully,

O'HARA WALTHAM DIAL COMPANY,
DANIEL O'HARA.

WATCH JEWELS.

[Paragraph 191.]

THE AMERICAN OIL & SUPPLY CO., NEWARK, N. J., THINKS AN INCREASE IN DUTY ON WATCH JEWELS IS NECESSARY.

NEWARK, N. J., *November 21, 1908.*

WAYS AND MEANS COMMITTEE,
House of Representatives, Washington, D. C.

GENTLEMEN: We have noted the decision in the papers made by the Board of General Appraisers in reference to duty on agates for bearings, such as scales and all scientific instruments.

This is a matter that has a direct bearing upon our jewel manufacture, as we are unable to compete with foreign labor with a duty of only 10 per cent on these goods.

If a hearing is had on this subject we would like to be advised in advance, so that one of our representatives who is competent to place this before your honorable committee could be present and be heard.

The question of duty also has a direct bearing on watch jewels, and as the original duty on these was 40 per cent and was reduced to 10 per cent, it permits all of these jewels to be imported and sold to watch companies at a price that American labor can not compete with.

It is an odd fact, but all watch and clock material outside of jewels carries an import duty of from 40 to 60 per cent, and if these jewels could be made in this country with protection it would give work to a large body of high-class mechanics.

We should say that at least 10,000 people would find employment in this work alone, as we estimate that fully half a million jewels are

Digitized by Google

used for bearings in watches in the United States per day, and that fully 90 per cent of these are imported.

You can see the importance of this, not only to ourselves, but to others who are or have been in this line and have been driven out by the absurdly low duty.

We hope to be advised that we can appear before you.

Yours, respectfully,

AMERICAN OIL AND SUPPLY COMPANY,
C. R. BURNETT.

THE AMERICAN OIL AND SUPPLY COMPANY, NEWARK, N. J., ADVOCATES INCREASE OF DUTY ON WATCH JEWELS.

NEWARK, N. J., *December 2, 1908.*

COMMITTEE ON WAYS AND MEANS,
House of Representatives, Washington, D. C.

GENTLEMEN: We would ask that you file this communication, so that it may be brought to the members' attention when the subject is up for consideration.

At the present time sapphire, ruby, and garnet watch jewels (unset) are subject to a duty of 10 per cent (par. No. 191), while all watch parts, such as wheels, pinions, springs, etc., are subject to a duty of from 40 to 60 per cent.

This low rate of duty on the jewels makes it absolutely impossible for American manufacturers to compete with the foreign market. The rough material is brought in free of duty, but the work can not be turned out and sold at a profit from the American factories while this condition exists.

The original duty was 40 per cent before being reduced to 10 per cent, and at the original amount of duty it enabled the American mechanics to turn out the work and keep out a large proportion of foreign goods.

The closest estimates show that at least half a million watch jewels are used in the United States every working day in the year, and that practically every one is now imported under the 10 per cent clause.

If a protective tariff were placed on these jewels it would give work to at least 10,000 people in the United States. It does not seem necessary for us to go into further details, as this can readily be verified when necessary.

Our interest in the matter is that we have a department devoted to the manufacture of jewels and other articles made from sapphire, ruby, and garnet, but we are unable to touch the watch-jewel business solely on account of duty.

We hope this letter will have favorable consideration, and will not be overborne by arguments brought forward by the so-called "watch trust," who, we believe, are largely interested in importing jewels at a low figure, but at the same time are interested in keeping out the foreign-made watch material so that their own homemade material can be sold.

Yours, respectfully,

AMERICAN OIL AND SUPPLY CO.,
C. R. BURNETT.

Digitized by Google

WATCH GLASSES.

[Paragraph 191.]

J. W. RIGLANDER, NEW YORK CITY, WISHES ALL PARTS OF WATCHES GIVEN THE SAME TREATMENT.

47 MAIDEN LANE,
New York, December 24, 1908.

Hon. SERENO E. PAYNE,
Chairman of Committee on Ways and Means,
Washington, D. C.

DEAR SIR: You undoubtedly will recollect me from my name, as I have had former communications with you in reference to tariff matters, and on several occasions have been before your honorable committee.

I notice an application has been made before your honorable body in reference to reducing the duty imposed on watch glasses by putting them on the free list. In reference to this I beg to say that I have nothing to say against this request; however, refer you to paragraph 191, of the Dingley Act. You will find the duty imposed on watch cases and parts of watches, etc., at 40 per cent, and as watch glasses are only parts of watches, and there are many items imported under this same heading, no reduction should be made in the duty on watch glasses unless the same reduction is made on the other items or parts of watches which are imported.

My reason for calling your attention to this matter is that there are some small watch companies in the United States, who, owing to the lack of capital, are under the necessity of purchasing quite a large proportion of their materials in the foreign market, and they certainly ought to be entitled to some consideration in the revision of the tariff.

Trusting you will not consider me presumptuous in calling your attention to this, I remain,

Most respectfully, yours, J. W. RIGLANDER.

CLOCKS.

[Paragraph 191.]

STATEMENT OF T. D. BRADSTREET, THOMASTON, CONN., REPRESENTING AMERICAN MANUFACTURERS OF CLOCKS.

FRIDAY, *November 27, 1908.*

Mr. BRADSTREET. Mr. Chairman and members of the committee, I appear here——

Mr. GRIGGS. What is your organization—are you at the head of an organization?

Mr. BRADSTREET. No; there is no organization.

Mr. GRIGGS. You are a manufacturer yourself?

Mr. BRADSTREET. Yes.

Mr. GRIGGS. It is a private business?

Digitized by Google

Mr. BRADSTREET. Yes. I was simply making a statement——

Mr. GRIGGS. I hope you will not consider me inquisitive, but I would like to know whether you are making any money?

Mr. BRADSTREET. We are struggling.

Mr. GRIGGS. Struggling to get rid of the money you have made?

Mr. BRADSTREET. No, no.

Mr. GRIGGS. Did you make any money last year?

Mr. BRADSTREET. From January to January, or our business year?

Mr. GRIGGS. Either one. Take your business year.

Mr. BRADSTREET. We are making money since last October until this year—October.

Mr. GRIGGS. But you made money up to that time?

Mr. BRADSTREET. We made a little.

Mr. GRIGGS. How much?

Mr. BRADSTREET. We made a 6 per cent dividend and a 7 per cent dividend—that is, the corporation I belong to—on a capitalization of $600,000. We knew that this meeting was to be held, and a meeting before your committee, and so the clock manufacturers got together.

The CHAIRMAN. You have a right to proceed in your own way. Proceed with your remarks.

Mr. BRADSTREET. As I say, the clock manufacturers got together, comprising six of them in the State of Connecticut and one in the State of New York, from Brooklyn. They appointed a committee of three to appear before your committee and state the reasons why they thought the tariff should not be reduced, and they selected Mr. Bradstreet, of the Seth Thomas Clock Company; Mr. Ingram, of the Ingram Clock Company, of Bristol; and Mr. Walter Camp, of the New Haven Clock Company, of New Haven, and with your permission we will give you what we consider the facts and condition of the clock business.

I might say in passing that if you, in your judgment, deem it best to help us out of our struggle and increase the tariff a little, we would be very glad.

Mr. GRIGGS. You say the Seth Thomas Company; did Seth Thomas come?

Mr. BRADSTREET. Which one?

Mr. GRIGGS. Any of them.

Mr. BRADSTREET. Two of them are dead.

Mr. GRIGGS. I don't care which one.

The CHAIRMAN. Is that all you desire to say?

Mr. BRADSTREET. I wish you would call on Mr. Walter Camp. He will give you the facts and figures.

STATEMENT OF WALTER CAMP, OF NEW HAVEN, CONN., REPRESENTING THE AMERICAN CLOCK MAKERS.

FRIDAY, *November 27, 1908.*

Mr. CAMP. Mr. Chairman and gentlemen of the committee. It has been impossible to get the actual cost of the German clocks; it has been impossible to get into their factories. We do know, though, the general standard of their labor and what certain help is paid,

Digitized by Google

and we have it on the strength of two men who have been through their factories. Their conclusions do not absolutely jibe, but they come near it, and in averaging them we find that the man over there in the clock factories receives about 48 per cent of what we pay them here, and the women receive about 28 per cent of what we pay them here.

The cost of the material is about the same. It is purely a question of labor.

As to my remark about the importation of clocks increasing, when I figured this it was the cost of 1908. The cost of 1908 would absolutely be a fair year, because their business fell off, as did ours. But taking the eight months in 1906 to the 1st of August and the eight months in 1907, importations increased then from $295,000 odd to $332,000——

The CHAIRMAN. Our statistics are different from that. Two hundred and fifty-nine thousand dollars——

Mr. CAMP. That is the whole year, is it not?

The CHAIRMAN. You are taking out months?

Mr. CAMP. No; I took the average of three years for comparison.

The CHAIRMAN. Five years prior to June 30, 1907, they run along pretty even—$616,000, $417,000, $550,000, $592,000.

Mr. CAMP. Yes; but a steady increase, though.

The CHAIRMAN. They averaged about the same.

Mr. CAMP. In other words, they are not kept out; they are coming in more and more, taking those figures.

Mr. DALZELL. The highest was in 1904.

The CHAIRMAN. It is the higher priced clocks that come in, the artistic clocks and cases?

Mr. CAMP. So called.

The CHAIRMAN. Well, so called, and they pay a little higher price for them on account of the supposed beauty of the case?

Mr. CAMP. Yes.

The CHAIRMAN. And because of the great prosperity of the country there were more of those coming in during those years?

Mr. CAMP. Possibly so.

The CHAIRMAN. But the works of the clocks are made by machinery, are they not?

Mr. CAMP. Yes; almost entirely so now, and the Davenport machine, which we first made in our own factory—that is, we started it—has been bought by the Germans, and they are making them the same as we are.

The CHAIRMAN. And much of the work except this expensive case is made by machinery?

Mr. CAMP. Yes.

There is one other thing that Mr. Thomas wished to ask, and that is that we have a separate paragraph to ourselves.

The CHAIRMAN. We will make a note of that.

Mr. CLARK. The clock industry is one of the oldest manufacturing industries in America?

Mr. CAMP. Yes.

Mr. CLARK. Every tariff bill has provided for a tariff on clocks?

Mr. CAMP. Yes.

Mr. CLARK. And that goes to demonstrate that an industry that is once protected must forever be protected, does it not?

Digitized by Google

Mr. CAMP. If we had not reduced our prices, we would not need the protection. Sixty per cent reduction in prices in the last few years has been the result.

Mr. CLARK. Suppose they cut down the tariff on clocks; would that interefere with your business?

Mr. CAMP. Very materially.

Mr. CLARK. If they put up the tariff on foreign clocks, would that interfere with your business?

Mr. CAMP. That would not interfere with our business so materially, because that is a very small part of our business. We manufacture a complete line, from the high-grade clock down to the cheapest nickel clock.

Mr. GRIGGS. Is your industry suffering from senile decay?

Mr. CAMP. No, sir; I trust not.

SUPPLEMENTAL BRIEF FILED BY WALTER CAMP, OF THE NEW HAVEN (CONN.) CLOCK COMPANY.

NEW HAVEN, CONN., *December 1, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: Clock makers in America have for nearly a half century been improving the manufacture of timepieces from the day of the old wooden movement to the present high grade of cut-steel pinion work.

They have been typical American institutions and have given employment to thousands of high-class, intelligent workmen. They have not been exploited into a trust, nor have any of the individual concerns been capitalized even up to the amount of actual investment. They have been conservatively managed and have averaged in dividends in the last twenty years an amount hardly commensurate to an average manufacturing risk. Three out of a dozen have gone under.

During that time they have, by economies of manufacture and the keenness of Yankee ingenuity in devising special machinery, reduced the average price to the consumer of eight-day mantel clocks nearly 50 per cent and the price of the ordinary standard nickel clock more than 60 per cent.

Several years ago, when the American manufacturers had, by enterprise and quality, secured considerable export outlet for their goods and when the merit of the product had won its own way, several foreign countries sent secretly their best men over here, and these men sought and obtained employment at the bench in our factories.

They remained varying times, even as long as two years, surreptitiously acquiring the knowledge of American manufacturers, and upon their return taking those methods with them. They imitated the shape and conformation of our best-known clocks, and finally took the actual American names and labels, and by means of these methods of piracy turned many markets against us, both directly by offering the goods with these descriptions and indirectly by giving poorer quality under the names, thus lessening the esteem in which these names had been known.

Digitized by Google

Not satisfied with this, of late years these countries have sent in goods here valuing at prices below those home-selling prices which Canada has met by their dumping acts and which the clock manufacturers wish to see corrected. We do not ask for an increase of tariff, but we do ask that no lowering take place. The present tariff is not prohibitive. Foreign clocks come in steadily and increasingly.

As stated, we are not making an income from our investment commensurate with the standard of manufacturing risk. We have lowered the price of our product 50 to 60 per cent solely through our own improvements in manufacture in spite of the fact that none of our materials have decreased in cost, but many have risen, and we are paying our labor more. More than two-thirds of the cost of our clocks is labor alone.

We are giving employment to 7,000 to 10,000 of the best class of American employees, several of us having working in our shops the grandchildren of those who helped make American clocks famous.

Besides reducing the cost of clocks nearly one-half to our own countrymen, we are not selling them abroad at lower prices than at home, and a reduction in the duty would at once wipe out the profits in the industry, as can easily be seen from the above condition. It would eventually reduce or throw out of employment these men and women who have inherited certain rights not to be lightly considered. The competition from abroad is keen enough as it is, and the protection given these people is from a competition that pays a man not much more in a week than we pay him in two and a half days, and a woman hardly in a week what we actually pay her in a day and a half. And this help of theirs works eleven hours a day.

NEW HAVEN CLOCK COMPANY,
WALTER CAMP.

THE CHELSEA CLOCK COMPANY ASKS FOR NEW CLASSIFICATION FOR LEVER CLOCKS AND SHIP'S CHRONOMETERS.

BOSTON, *November 25, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee, Washington.

DEAR SIR: As I may not be able to be present at the hearing I understand your committee is to give on tariff matters, I write as to the particular industry of the Chelsea Clock Company.

With the exception of about 1,000 pendulum clocks made each year, its output is wholly of high-grade lever clocks. For years it has been the ambition of parties to make high-grade clocks in commercial quantities to compete with the imported French and German clocks, principally those made in France, close to an average of about 75,000 of which, I am informed, are annually imported into this country. My information is that these French-made clocks are made under conditions which are not in vogue in this country and not likely to be—that a family at odd times makes a certain part, say a pinion, another family another pinion, and so on through all the principal pieces of material going to make a clock movement—that a party goes around and collects and pays a trifling sum (made not in a factory, but at homes, by men, women, and children, at odd times, afternoons, evenings, etc.), takes them to an assembler, where the clock movement is put together.

Digitized by Google

As against such labor cost we have to employ highly skilled labor, paying therefor the highest wages, and equip a factory with expensive machinery. The present factory cost of the completed article of this quality is, approximately, material 15 per cent, labor and usual factory costs 85 per cent.

We are slowly, but as quickly as possible, building up a trade with such parties as Tiffany & Co., of New York City; Bailey, Banks & Biddle Company, of Philadelphia; Spaulding & Co., of Chicago, and Shreve & Co., of San Francisco, and like grade high-class jewelers in leading cities. Some of our patterns are being copied and made by the aforesaid cheaper labor in foreign countries, and we think an additional duty of $5 per lever clock and per lever-clock movement, having jewels in the escapement, and also on ship's chronometers, should be provided for in the new tariff. Also that the maximum tariff rate should be used for any country compelling our owners of patents to manufacture same in such country or forfeit the patent there. For instance, we have a patent here and in Great Britain on a ship's bell clock, largely used on yachts, steamships, etc. The patented part is a very small part of the entire mechanism, the amount of trade in Great Britain at present is not sufficient to start even a small mill, and yet any of the clockmakers there, with the cost of labor, etc., much lower than here, can affix our patented attachment to their clock mechanism and supply the English and foreign markets, and reap the benefit of our good improvement and extensive advertising of same.

We, as I suppose a great many other manufacturers of patented articles, have been solicited to purchase or lease factory sites in England in order to protect our patents from forfeiture, and the tendency will be to enlarge their production there by American capital employing foreign labor, and as the patented article could not in many instances keep a factory production well balanced, the chances are that the manufacture of other and not patented articles will be transferred there.

Hence, if the maximum tariff rates are applied to such countries, it is possible and likely that their law forfeiting patents of Americans if the article is not manufactured abroad would be repealed in order to have the advantage of our minimum tariff rates on their exports to this great market—America.

Showing how foreigners are endeavoring to get the benefit of our work in building up a business in high-grade lever clocks, we annex a letter just received from our traveling salesman, and also quote from a letter dated November 6 from one of our very largest customers. (The foreign-made sample referred to was an exact copy of our clock which we designed and made a success of; even the peculiar-shaped holes we put in back of our plate were copied.)

The movement we showed your Mr. McGraw (the mill manager of Chelsea Clock Company) appealed to us, as it is a well-finished piece of work, * * * but we would much prefer to deal with a concern in this country rather than import.

The argument is along the lines of using the foreign-built clock, copied after ours, to force us to make a lower than a reasonable price.

CHELSEA CLOCK CO.,
CHARLES H. PEARSON, *Treasurer.*

Digitized by Google

EXHIBIT A.

ST. LOUIS, MO., *November 23, 1908.*

The CHELSEA CLOCK COMPANY.

GENTLEMEN: Business has not started here yet. Kennard is full up. Mr. Gale tells me that Herschede is coming out this spring with full line mantel wood clocks fitted with German lever movements.

It looks to me that Ed Herschede took our half-hour movement to Germany with him last summer and will have it made there.

Yours, very truly,

FRANK H. KELLSEY.

THE CHELSEA CLOCK COMPANY, BOSTON, MASS., SUBMITS A SUPPLEMENTAL BRIEF RELATIVE TO LEVER CLOCKS.

BOSTON, *December 4, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.

DEAR SIR: We wish to call the attention of your committee particularly to the fact that we do not ask any increase in duty on the imported high-grade pendulum type of clock, which type for years (centuries better express it—you can see one at Mount Vernon which was the property of George Washington) have been the recognized standard of excellence, and are now and always have been dealt in by high-grade jewelers. We do, however, ask the $5 extra duty (beyond the usual 40 per cent) on lever clocks and lever-clock movements having jewels in the escapements.

A pendulum clock can not be kept running if moved or while in shipment. A lever clock can be moved and shipped and continue running, and it is our custom to ship these high-grade lever clocks to New York, Philadelphia, Chicago, Detroit, St. Louis, Pittsburg, and other leading cities running and set on the standard time of destination city, and they arrive to the customers running and on time.

The French, German, and English makers see the advantage of this comparatively new idea as far as the making of high-grade clocks in commercial quantities is concerned, and very recently (within few weeks) have obtained samples of our make of lever-clock movements, and, copying same, are offering the goods in this country at a lower price than we can afford to.

Hence, as the cost of the goods is largely labor, we ask for the $5 extra duty, as stated in our letter to you dated November 25, and think we are entitled to the extra duty on this practically new industry, but not increasing the duty on their regular and old established business in pendulum type of clocks.

Respectfully,

CHELSEA CLOCK CO.,
By CHAS. H. PEARSON, *Treasurer.*

Digitized by Google

GEORGE KUEHL & CO., CHICAGO, ILL., FAVOR REDUCTION OF THE DUTY ON NICKEL ALARM CLOCKS.

CHICAGO, *December 9, 1908.*

Hon. HENRY S. BOUTELL,
House of Representatives, Washington, D. C.

DEAR SIR:

* * * * * * *

We are not in favor of reducing the tariff on all clocks, but on some makes; for instance, on nickel alarm clocks, which are bought by the laboring people, there should be a reduction in the tariff, as the difference in wages between foreign countries and here does not amount to the duty of 40 per cent, which this article is paying now, where the cost for metal and machinery is equal. Even foreign manufacturers are using now machinery made in the United States.

Thanking you in advance for further information, we remain,

Very respectfully, yours.

GEO. KUEHL & CO.

ZINC.

[Paragraphs 192 and 514.]

E. H. BRADY, OF HARRISBURG, PA., THINKS IT ADVISABLE TO PLACE A PROTECTIVE DUTY ON ZINC ORE.

HARRISBURG, *November 20, 1908.*

Hon. JOHN DALZELL, M. C.,
House of Representatives.

MY DEAR SIR: Some close friends of mine have a considerable investment in a zinc mine at or near Joplin, Mo. Heretofore, although their property is a valuable one, they have experienced great difficulty in mining at a profit by reason of the active competition of Mexican zinc ore. They desire to have this matter brought to the attention of your committee, with the hope that in your wisdom you may recommend the imposition of a tax duty of sufficient amount to at least equalize the difference between American and Mexican production. They expressed the belief that 1½ cents per pound imposed on Mexican ore in addition to present rate (if any exists) would be just and fair to American interests. A delegation of this company will appear before your committee at its next meeting, and I am sure they will be accorded a fair hearing.

Very respectfully, E. H. BRADY.

THE GRASSELLI CHEMICAL COMPANY, OF CLEVELAND, OHIO, OBJECTS TO THE PLACING OF A DUTY ON ZINC ORES.

CLEVELAND, OHIO, *November 24, 1908.*

Hon. SERENO E. PAYNE, M. C.,
Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR SIR: With reference to the movement which is on foot looking toward the imposition of a duty on imports of zinc ore, the

Digitized by Google

Grasselli Chemical Company, of Cleveland, operating a zinc smelter at Clarksburg, W. Va., begs leave to submit this brief giving its views on the matter.

In reviewing statistics on the production of zinc ore, as well as the consumption of spelter, in the United States, it would seem that the output of the Joplin district was quite in line with the consumption of spelter until 1901. Since that time you will find, from the figures given below, that the consumption of spelter has increased from 140,000 tons in 1901 to 249,000 tons in 1907, or about 77 per cent; while the output of zinc ore in the Joplin field increased from 258,000 tons in 1901 to 297,000 tons 1907, but 16 per cent.

Roughly estimated, 2 tons of Joplin ore is required for the production of 1 ton of spelter.

In this connection we beg leave to submit the following figures showing the average base prices prevailing in the Joplin field for 60 per cent ore since 1900:

1900	$26.40
1901	24.50
1902	30.70
1903	33.10
1904	38.50
1905	47.35
1906	44.20
1907	43.78

Notwithstanding the fact that the average 1906 and 1907 prices show an increase of practically 70 per cent over the figures which prevailed during 1900, you will observe that the production shows an increase of but 16 per cent.

Some of the miners in the Joplin district maintain that they can not produce zinc ore at a profit. While this may in some cases be true, at the present time, we believe, it is conceded that up to the beginning of the commercial depression in 1907 zinc mining was conducted profitably. Since that time profits in the mining of zinc, as well as copper, lead, and practically all commercial enterprises, have been reduced and in many cases wiped out altogether. We, however, maintain that this is only a temporary condition and that matters will, with a revival in business, adjust themselves, which is substantiated by the recent advance in the price of ore in Joplin.

The duty on spelter, viz., 1½ cents per pound, has to a great extent made the price of that metal in this country quite independent of the European market and has resulted in absolutely cutting off all importations with the exception of one or two special brands, the tonnage of which is quite negligible. As a matter of information we might say that the average price of spelter in London for the past four years has been $5.35 per 100 pounds, as compared with $5.86 per 100 pounds in New York.

The cost of producing spelter in Europe is, so far as we can learn, on a parity with the American cost. While the labor in Europe is somewhat lower, this is offset by the cheaper fuel which is available in the United States, although the price which the Joplin producers receive for their product is close to $4 per ton higher than the price paid by the European smelters for the ore which they consume.

At the present moment about 65 per cent of the smelting capacity of the United States is in operation. Notwithstanding this the smelters are now experiencing difficulties in procuring sufficient ore

Digitized by Google

to take care of their requirements. It is, therefore, not difficult to foresee what the condition will be when business again becomes normal and the demand for spelter is such as to take care of the output of the various smelters running full capacity.

Information circulated by the zinc-ore producers calls particular attention to the fact that the stock of spelter in the hands of the smelters on the first of the year amounted to 30,000 tons. The miners make the claim that if there had been no importations from Mexico and British Columbia there would have been no stock of spelter on hand. This, however, is not confirmed by the actual facts in the case, which show that 80 per cent of the imported ore was received prior to September 1, 1907, when the stock of spelter in the hands of the smelters did not exceed 5,000 tons. Had the smelters not succeeded in procuring a portion of their requirements outside of the United States, American consumers of spelter would undoubtedly have found it necessary to import spelter from Europe.

Notwithstanding the serious depression in business during the past year the output in the Joplin district has fallen off not to exceed 10 per cent, while the Mexican importations have been reduced by about 50 per cent, which indicates that the zinc miners have not felt the effect of the recent panic to the same extent as many other industries.

Statistics show the imports of zinc ore up to 1905 to be merely nominal. The fact that the price in the Joplin district advanced from $26.40 in 1900 to from $43 to $44 in 1907 shows that the importations have not had a depressing effect on the Joplin market.

According to the report of the United States Geological Survey the spelter produced from imported ores in 1906 amounted to about 25,000 tons. In this connection we desire to call particular attention to the fact that there was in the hands of smelters practically no stock of metal on January 1, 1907. A prohibitive tariff on zinc ore would therefore have resulted in the importation of this 25,000 tons of spelter by the consumers, which would have made it necessary for the galvanizers and manufacturers of brass goods to materially increase the cost of their products to their customers, and would at the same time have shut down American smelters and thrown thousands of men out of employment.

As stated above the difference in the cost of manufacturing spelter here and in Europe is slight. However, assuming that American labor should have protection, we maintain that the haulage on Mexican ore to the railroad of $2.50 to $3 per ton and the railroad transportation from Mexico to the Kansas smelters of $6.50 to $8 per ton, as shown in the pamphlet issued by the Zinc Ore Tariff Club, gives ample protection, as the average cost of haulage and freight from the Joplin mines to the Kansas smelters is under $2 per ton.

If, as some of the Joplin producers report, conditions require an adjustment, should this not be brought about by a reduction in the royalty of 10 to 20 per cent now being exacted by the landowners on every pound of ore produced, regardless of trade conditions?

If the object of the tariff is to protect American manufacturers and laborers, we fear an imposition of a duty on zinc ore will not accomplish the desired result. On the other hand, it will tend to materially increase the price on galvanized and brass products, the small consumers paying the bill. It will also close down American

Digitized by Google

smelters and throw many American laborers out of employment, make it necessary to import spelter from abroad, thus fostering foreign industries, and tend to diminish the use of zinc and galvanized products. We therefore suggest that no change be made in the present tariff regulations, namely, that the duty of 1½ cents per pound on spelter be maintained, and that zinc ores of all character be placed on the free list.

Respectfully, THE GRASSELLI CHEMICAL COMPANY,
By E. R. GRASSELLI, *Treasurer.*

C. M. LOEB, PRESIDENT OF THE BARTLESVILLE ZINC COMPANY, NEW YORK CITY, SUBMITS BRIEF IN FAVOR OF ADMITTING ZINC ORES FREE OF DUTY.

NEW YORK, *November 23, 1908.*

Hon. S. E. PAYNE, M. C.,
Chairman Committee on Ways and Means,
Washington, D. C.

SIR: I respectfully submit that zinc ores, crude or concentrated (i. e., silicates and carbonates, commonly known as calamine), and zinc sulphides be admitted into this country free of duty. There is not sufficient ore mined in this country to supply the requirements in normal times. Moreover, the domestic output is not adequate to enable the smelting plants to operate to full capacity, and unless 90 per cent of such capacity is employed the cost of treatment per ton of ore rises to such an extent that the smelters would lose heavily unless they reduce operating expenses through a reduction in wages or make heavier deductions in smelting tolls from the price of ore, not to speak of the number of men who would be thrown out of employment. A case in point is the present condition of the market. Although zinc ore in Joplin is selling at a level relatively higher than spelter, Mexico furnishes about 6,000 tons of ore monthly, and in spite thereof there is not enough ore to supply the wants of the smelting industry. The output of zinc ore in Joplin since 1900 amounted to the following tonnages:

	Tons.		Tons.
1900	248,446	1904	267,240
1901	258,306	1905	252,435
1902	262,545	1906	278,930
1903	234,873	1907	286,586

Statistics compiled of the spelter production over the same period give the following tonnages:

	Tons.		Tons.
1900	123,321	1904	181,803
1901	140,822	1905	201,748
1902	158,239	1906	225,494
1903	158,502	1907	249,612

While the Joplin ore production has increased approximately only 15 per cent, even though very high prices ruled for long periods during the last seven years, the spelter production shows an increase of over 100 per cent.

Digitized by Google

Some exports of high-grade spelter, used for special purposes and commanding a big premium, being in the nature of a specialty, took place regularly. Moreover, in the year 1900 about 22,000 tons and in 1904 10,000 tons of spelter were exported. These figures include the high-grade spelter, no separate statistics being available. 1900 and 1904 were years of depression, while Europe was able to absorb our surplus spelter, being more than ordinarily prosperous in the trades where spelter is required.

The imports of ore started on an appreciable scale in the year 1905, and were as follows:

	1905.	1906.	1907.
	Tons.	*Tons.*	*Tons.*
British Columbia	8,561	600	1,157
Mexico	32,164	88,900	108,800

It may be interesting to draw your attention, in this connection, to the average prices ruling in Joplin over the last seven years: 1900, $26.50; 1901, $24.21; 1902, $30.73; 1903, $34.44; 1904, $37.40; 1905, $47.40; 1906, $44.82; 1907, $44.36.

Therefore, during the years of imports of ore the highest average prices were obtained in Joplin, bearing out conclusively our contentions with regard to the requirements of the smelting works on the one hand and the needs of the spelter consumers in the United States on the other.

Before the spelter consumption rose by leaps and bounds, as indicated by the statistics, the Joplin ore production, with some small tonnages coming from southeast Missouri and Wisconsin, was adequate to supply the entire market. Subsequently the Western States were drawn upon, and Colorado, Utah, and Idaho contributed, the heaviest shipments coming from Colorado. The figures of the production are available since 1904, as follows:

[In tons of 2,000 pounds.]

State.	1904.	1905.	1906.	1907.
Arkansas	1,900	2,200	4,200	4,088
Colorado	94,000	105,000	114,000	142,510
Idaho	Nil.	1,700	2,150	11,847
Kentucky	958	414	975	1,005
Montana	Nil.	2,000	4,900	1,218
Nevada	Nil.	Nil.	7,080	4,598
New Mexico	21,000	17,800	30,000	4,281
Oklahoma				3,240
Utah	Nil.	9,265	10,700	9,043
Wisconsin	19,300	32,690	42,130	53,011
Others	2,600	3,800	850	2,241

Here, again, is shown conclusively that the foreign zinc ores were required for the actual needs of the consumers of spelter and the smelters, and in no way interfered with the legitimate development of the mining industry in this country. A duty on zinc ores would divert to European smelters all the Mexican ores, which up to now preponderantly represent the imports. As a consequence, prices for spelter in this country would advance to a point where the consuming

Digitized by Google

public would be unjustifiably taxed for the benefit of the few, and the zinc smelters would be compelled to reduce their operations. An artificial state of affairs would thus be created, which in the end would benefit not even those responsible for it, since consumers here would turn to substitutes when prices became too high, and thereby the entire industry would become upset.

The Joplin miners, particularly, have no cause for complaint. Their freight rate to the smelting centers averages less than $1 a ton, while the freight rates from the Mexican mines are from $5 to $6 higher, and in a great many cases there is additional expensive transportation in Mexico, because the mines are not located on the railroad. The geographical advantage more than overcomes the low wages in Mexico, as is best illustrated by the fact that when the price of spelter dropped below 5 cents at St. Louis, with the advent of the 1907 panic, shipments from Mexico were cut into half, the output for the twelve months from October, 1907, being 248,710 tons, as against 283,397 tons the previous twelve months, while the Joplin output suffered only to the extent of about 12¼ per cent. Now that the price of spelter has gone back to 5 cents, shipments from Mexico are coming forward in increasing volume, but nevertheless the price of ore in Joplin has advanced to a figure which on an average has only been exceeded in three years during the last seven years. Prices are likely to go still higher, as larger imports and a heavier ore production in the United States have to be encouraged to supply the requirements of the consumers, which show a steady increase during normal times. To ask protection on basis of panic conditions is unreasonable, for during panics, protection, as we know, does not hold up prices, and during normal times it is not needed, and would be an unjust tax upon the consuming public.

There is a duty of 1½ cents on spelter, but in spite thereof the London market has only ruled, on an average, less than one-fifth cent under the price of spelter at the zinc works for a period of ten years. This is due to the fact that there does not, and will not, exist a combination among the zinc smelters. Natural conditions of supply and demand have free sway so far as the selling of the spelter is concerned. On the other hand, the position of the smelters is made difficult at times, as the buying is rather concentrated. The smelters buy their ore on basis of the spelter market, and do not benefit by higher prices, except that such higher prices at times enable them to exact a better smelting margin, which is offset again by the lower margins in poor times, so that on an average the smelters unfortunately have not been any too prosperous. The duty on zinc, therefore, only benefits the smelters to the extent of keeping in this country the business which properly belongs to it. Yet, so high a duty as exists on spelter at present is not required to attain this end. The smelting costs are equalized through cheap labor in Europe and cheap fuel here. There are a number of large works in Europe at tide water, giving them a freight rate to New York on spelter of 10 cents, as against 28½ cents from the smelting centers in Kansas and Oklahoma; and, furthermore, they benefit through this location to the extent of about one-quarter cent in drawing their supplies from Mexico in competition with the American smelters. European smelters have a further advantage of about one-quarter cent through the fact that their labor has stuck to the industry for generations and thereby has at-

Digitized by Google

tained a high state of efficiency which enables the European smelter to do very much better metallurgical work than can be accomplished in this country. If, in addition, say one-quarter cent is allowed to furnish a reasonable margin of safety and protect the American market against European speculation, we would arrive at close to 1 cent, as against the present duty of 1½ cents per pound, and this would be ample to enable the smelters to operate their works in competition with Europe, and enable them to pay prices for ores sufficiently high to give a profit during normal times to all mines of sufficient value and richness to entitle them to the right of existence.

Respectfully submitted.

BARTLESVILLE ZINC COMPANY,
C. M. LOET, *President.*

W. G. MORTLAND, PITTSBURG, PA., URGES THE IMPOSITION OF A PROTECTIVE DUTY ON ZINC ORES.

PITTSBURG, PA., *November 23, 1908.*

Hon. JOHN DALZELL, M. C.,
Washington, D. C.

DEAR SIR: As the holder of a large interest in several zinc and lead producing mines which have been severely handicapped because of the introduction of Mexican ores into the United States, I write you to ask that you use your best influence not only to retain the present duty of 1½ cents per pound on Mexican lead ores, but to do everything you can consistently do to have a like duty of 1½ cents per pound imposed upon all ores having a lead and zinc content.

The natural consumption of spelter in the United States can be satisfactorily met, as you know, by the producing mines in this country without importation. This industry must be safeguarded by the protective tariff upon zinc in whatever form if it is to go on.

I am convinced if you will take an active interest in this matter that it will not only be a source of satisfaction to me, but will meet with the hearty approval of many of your constituents who are stockholders in various lead and zinc companies in the Joplin and Wisconsin districts.

Yours, very truly, W. G. MORTLAND.

STATEMENT OF S. DUFFIELD MITCHELL, OF CARTHAGE, MO., RELATIVE TO ZINC AND ZINC ORES.

WEDNESDAY, *November 25, 1908.*

Mr. UNDERWOOD. What paragraphs are you going to speak about?

Mr. MITCHELL. I am going to speak on two paragraphs, 181 and 514.

Mr. Chairman, and gentlemen of the committee, I will first speak of paragraph 514, which puts calamine on the free list. Calamine is an ore of zinc and has been on the free list, as I understand it, from the earliest history of tariff legislation. Calamine is a zinc ore and produces about 50 per cent of metallic zinc contents.

Digitized by Google

Paragraph 181 is the lead schedule, which I do not propose to speak about so far as lead is concerned, but it seemed to us, inasmuch as lead and zinc in our district are closely associated and were mined from the same mine, that, properly speaking, the zinc ore should be put in with the lead ore in the new bill.

I am here asking the committee to put 1½ cents duty upon the metallic contents of zinc, the same duty that is on lead at the present time.

Now, I propose to make my remarks very short. Calamine, as I say, was on the free list, and in the Dingley bill of 1897 it was retained there. The mere fact that zinc ores were not put on the dutiable list in the Dingley bill was probably due to the fact that no request was made by the zinc-mine operators at that time for a duty. The menace of foreign importations of ore at that time was not apparent. No ore was imported from Mexico until about the 1st of July, 1905. During the year 1905 the price of zinc ore in the Joplin district was high. It averaged about $47.40 a ton for that entire year for what we call 60 per cent ore; that is, ore in the Joplin district which contains 60 per cent of metallic contents. The smelters then began to import ore from Mexico, and for the last part of the year 1905 some 41,000 tons were imported. In 1906, 90,000 tons of ore were imported. In 1907, 109,000 tons were imported, and, so far as my information goes, this year up to the 1st of October about 50,000 tons have been imported, chiefly from Mexico. The Mexican ore is chiefly carbonate and runs about 40 per cent metallic contents, and there are also some sulphides, which are the blendes which we produce from Mexican ore.

Mr. UNDERWOOD. I notice that the notes show that the importations in 1907 were only 59,000 tons of calamine.

Mr. MITCHELL. The rest would be dutiable sulphides. The Government has been collecting a duty of 20 per cent ad valorem on the blendes. The Mineral Industry shows that about 109,000 tons of foreign ore were imported during the year 1907. They get their information from the smelters.

Mr. CLARK. It is presumed that the Government gets its information from some authoritative source.

Mr. MITCHELL. Let me say that the Kansas City figures show 47,000 tons imported from Mexico and the government's report 31,000 tons.

Mr. CLARK. Somebody is smuggling; that is the plain, unadulterated truth about that, is it not?

Mr. MITCHELL. I do not know. The Government is collecting a duty of 20 per cent ad valorem now, and there is a case pending in the United States circuit court of appeals on the carbonates.

The CHAIRMAN. The silicate the Government lets in free?

Mr. MITCHELL. Yes, sir.

That makes 290,000 tons that have been imported in the last three years, 40 per cent ore, which is equivalent to about 190,000 tons of our 60 per cent ore, so far as the metallic contents are concerned, and would be about 65 per cent of our 1907 production, which was 297,000 tons of ore in the Joplin district, or the Missouri-Kansas district.

Mr. UNDERWOOD. These statistics do not sustain you at all on that proposition. They show that the total imports of calamine for 1907 were 59,438 tons, which came in free.

Digitized by Google

The CHAIRMAN. That is the silicate?

Mr. UNDERWOOD. Yes, sir. All the other ore that came in was 92 tons, which came in free, and 22,000 tons that came in paying a 20 per cent duty, which made about 81,000 or 82,000 tons, as shown by the government report.

Mr. MITCHELL. I have not had the advantage of looking at the government report.

The CHAIRMAN. The committee will ascertain that.

Mr. MITCHELL. We have information from the Engineering and Mining Journal and also from the Mineral Industry, and the figures I mentioned are in both those publications.

The CHAIRMAN. You may proceed, Mr. Mitchell, without interruption.

Mr. MITCHELL. We are asking a tariff duty of 1½ cents a pound on the metallic contents, and that would mean $12 a ton on the 40 per cent ore, or $18 a ton on the 60 per cent ore, and we think that we are justified in asking that tariff duty for the simple reason that it just about represents the difference in labor cost of production in Mexico and in the Joplin district. The gentleman who will follow me has had a great deal of experience in examining mines and going through the mines of Mexico, and he will be able to give you the actual cost of producing ore.

We have reports here from three mines in Mexico, in the State of Chihuahua. The cost of mining and picking in one mine is $3.75 a ton; the cost of hauling it to the railroad station is $1.50 a ton; the total cost f. o. b. cars is $5.25 a ton. Now, taking those three mines, the cost varies somewhat at times, but the average is $4.91 a ton. Add the freight to the Kansas smelter and the average cost of those three mines is $11.82 a ton—the cost at the Kansas smelter. In fact, Mr. Cockerill, the smelter of Kansas, says that when the St. Louis price of spelter is $5 he can buy 40 per cent Mexican ore at his smelter for $18 a ton; that is, 40 per cent ore. That is $27 a ton of 60 per cent ore, because it takes a ton and a half of 40 per cent ore to equal a ton of 60 per cent ore. That would reduce the price that we would be bound to take for our ore to $27 a ton if these immense deposits of Mexican ore come in and flood our market and put us out of business.

Now, the cost of producing a ton of our ore with the price of wages which we pay in the Joplin district, taking the reports from ten of the mines in the Joplin district, including the labor cost, is $17.02 per ton of concentrates and $11.60 for powder and supplies, making a total of $28.62.

Now, in addition to that we charge off what we term amortization for depreciation to plant, for working out the mine, and royalty, and all our mines are worked on the royalty basis. That makes a conservative total cost of producing a ton of concentrates $37.78.

Now, the ease with which Mexican mines are worked is shown by some exhibits in the brief which I will submit, and they come from smelters. I will read merely from one. He says:

The ore occurs in solid veins or deposits and is blasted out. Any of the adjoining rock that may be by accident blasted out with the ore is sorted out by hand; afterwards the ore is broken down to a convenient size with hammers for transportation to the railroad, when it is loaded in cars for shipment.

Digitized by Google

In other words, it is a mere quarrying proposition. Our proposition in the Joplin district and in the Kansas district is a mining proposition. We are mining to-day at a depth of 225 to 300 feet. It is necessary for us to build extensive plants. The records show that out of 92 mines that have been opened and developed the average cost for development and construction of the mill is over $37,000. The life of a mine is necessarily somewhat short, because after you mine for three or four years the ore body is cut out and cut away from your mill, and you either have to remove the mill or the expense of transporting the ore underground or overhead becomes so great that it does not pay to work a mine in that way. So we think, with the increased cost we have, the difficulties of our mining, and the difference in wages, that we are entitled to one cent and a half duty upon the metallic contents of our ore.

Mr. UNDERWOOD. Please explain the 1½ cents on the metallic contents.

Mr. MITCHELL. One and one-half cents duty on metallic contents means that the zinc ore which runs 40 per cent metallic contents shall pay 1½ cents duty on each pound—that is, 40 per cent of 2.000 pounds, 800 pounds, and that would be $12 per ton on the metallic contents of the ore.

Mr. UNDERWOOD. Or if it ran 60 per cent you increase it in proportion?

Mr. MITCHELL. Yes, sir; $18.

Mr. UNDERWOOD. You are engaged in the business in Missouri?

Mr. MITCHELL. Yes, sir.

Mr. UNDERWOOD. What company do you represent?

Mr. MITCHELL. I do not represent any company.

Mr. UNDERWOOD. You just appear as an individual?

Mr. MITCHELL. Yes, sir.

Mr. UNDERWOOD. Do you know of any companies that are represented or are you interested in any of them?

Mr. MITCHELL. No, sir. I know of companies there which are operating more than one mine. I know of one company that is operating four mines, and I know of another company that is operating three mines.

Mr. UNDERWOOD. How much capital have you invested in your enterprise?

Mr. MITCHELL. Myself?

Mr. UNDERWOOD. Yes, sir.

Mr. MITCHELL. I am interested in one mine, and the total investment for the development of the mine and the building of the mill was about $65,000.

Mr. UNDERWOOD. What is the output of that mine?

Mr. MITCHELL. That one mine?

Mr. UNDERWOOD. Yes, sir; the one in which there has been invested $65.000.

Mr. MITCHELL. Two hundred and fifty tons of ore are hoisted from the ground a day and that ore runs about 5 per cent concentrates, making about 10 tons a day, 60 tons a week, that the mine will produce.

Mr. UNDERWOOD. Sixty tons a week is the production of the property which represents an investment of $65,000?

Mr. MITCHELL. Yes, sir.

Digitized by Google

Mr. UNDERWOOD. In 1907 what profits did you make in that business? I ask you about the year 1907 because that was the year before the panic.

Mr. MITCHELL. That property was not running until the early part of 1908, it is a new property.

Mr. UNDERWOOD. It is not one on which you could base an estimate?

Mr. MITCHELL. No, sir.

Mr. UNDERWOOD. Do you know of any property that you could give the detailed facts in reference to that was in operation in 1907?

Mr. MITCHELL. I know one property where the investment represented, I think, about $100,000, and I think they made about sixty-some thousand dollars profit in one year, the operations in the early part of 1907, but they have cut their ground out and they have had to move their mill.

Mr. UNDERWOOD. Then, it is largely a question of the amount of raw material that is adjacent to the property as to whether it is a success?

Mr. MITCHELL. Yes, sir. They are large fee owners.

Mr. UNDERWOOD. You have invested $65,000 without a duty on this ore and that would look like you thought the business would be profitable without a protective tariff?

Mr. MITCHELL. No; we expected to get a protective tariff.

Mr. UNDERWOOD. When did you start to make this investment?

Mr. MITCHELL. We started to develop the ground in 1904. It was a difficult proposition to open up on account of the water.

Mr. UNDERWOOD. In 1904 there was no indication of a tariff bill being written?

Mr. MITCHELL. But in 1904 there were no importations of Mexican ore either. It was just one of those propositions where you begin to invest your money and you have to keep going along.

Mr. UNDERWOOD. Do you know what the total production of this class of ore is in the United States?

Mr. MITCHELL. The Joplin district, the Missouri-Kansas district, produced last year about 290,000 tons. We produce about 70 per cent of the spelter of the country.

Mr. UNDERWOOD. So the Mexican ore comes in competition with all the 290,000 tons?

Mr. MITCHELL. Yes, sir.

Mr. UNDERWOOD. Is it produced anywhere else in the country except at the mines you refer to?

Mr. MITCHELL. Yes, sir; it is produced in Wisconsin.

Mr. UNDERWOOD. Do you know what the production is in Wisconsin?

Mr. MITCHELL. No, sir.

Mr. UNDERWOOD. You can not state the total production in the United States?

Mr. MITCHELL. Yes, sir. The Mineral Industry says that the production amounts to about 902,000 tons, including the New Jersey production, and the New Jersey production is not used for spelter purposes. Most of it is turned into zinc oxide. The New Jersey production was 368,000 tons in 1907. For the year 1906 the total production of this country was 905,000 tons, and the New Jersey production was 404,000.

Digitized by Google

Mr. UNDERWOOD. Exclusive of the New Jersey production, then, the importations as shown by the government statistics are less than one-tenth of the total production. Under the circumstances, if we put the duty on that you desire, would not that be a prohibitive duty instead of a protective duty?

Mr. MITCHELL. No; because if the price of spelter went up ore could still be imported from Mexico and pay the duty.

Mr. UNDERWOOD. But on the present basis it would be practically prohibitive, because the Mexican ore could not come in and compete with you on the present basis?

Mr. MITCHELL. Possibly not.

Mr. UNDERWOOD. You say the same rate of duty is on the lead ores?

Mr. MITCHELL. Yes, sir.

The CHAIRMAN. Suppose we skip lead? I say that, because the iron and steel people have had a promise that they would be heard first this morning.

Mr. UNDERWOOD. I do not care to interrogate the gentleman about lead ores, but he is asking for a duty on zinc ore, and I think it is perfectly fair for this committee to consider the relative positions of the two. As to whether we ought to take the duty off of lead or give it to zinc, is another question; but if the two occupy the same field it seems to me we should put them both on a fair basis.

I would like to get a comparison of the value and the cost of the production of lead and zinc in the same field.

Mr. MITCHELL. We mine lead and zinc ore out of the same mine. Lead comes out in the ore along with the zinc. The separation of the two minerals is merely a mechanical process. You take the lead off the jig, which is the separator, which takes the gangue and rock out of the crude mineral. You take the lead off first and you take the zinc off on the subsequent cells of the jig.

Mr. UNDERWOOD. Do you know of any reason why there was a differentiation between the two ores in the former bill, why they should not be on the same basis?

Mr. MITCHELL. I know the operators of the Missouri-Kansas district did not come here during the hearings on the former bill and ask for any tariff on zinc ore.

Mr. UNDERWOOD. What is the cost of the production of lead ores? Is it any greater abroad than the zinc ores?

Mr. MITCHELL. I do not know what the cost of producing lead ore is abroad.

Mr. UNDERWOOD. Is the expense of lead ores greater than zinc ores?

Mr. MITCHELL. I do not know that.

Mr. UNDERWOOD. If you can answer those questions and supply those facts when you file your brief I shall be glad.

Mr. MITCHELL. Yes, sir; very well.

Mr. CLARK. Are you an operator yourself?

Mr. MITCHELL. Yes, sir.

Mr. CLARK. Are you a lawyer?

Mr. MITCHELL. Yes, sir.

Mr. CLARK. Do you practice law?

Mr. MITCHELL. No, sir.

Mr. CLARK. How long have you been down in the Joplin district?

Mr. MITCHELL. About four and a half years.

Mr. CLARK. Where did you come from?

Digitized by Google

Mr. MITCHELL. From Pittsburg.

Mr. CLARK. This whole fuss is a contest between the zinc miners and the owners of the smelter mills, is it not?

Mr. MITCHELL. I do not know that it is a contest between the zinc miners and the owners of smelter mills. It is a contest for us to get a tariff on zinc ore that will give us a reasonable profit.

Mr. CLARK. I asked you a very simple question. Is not this a contest between the smelter mills and the zinc miners?

Mr. MITCHELL. No, sir. There are some smelters who are in favor of this tariff upon this ore.

Mr. CLARK. If the Government is only getting the small revenue from zinc that Mr. Underwood indicated and this proposition of yours would shut off some revenue, then the Government would not be getting the revenue from that source to fill up the deficiency?

Mr. MITCHELL. According to our reports the revenue to the Government amounts to very little.

Mr. CLARK. I asked you another very simple question. That is, if this proposition of yours would shut off any of the revenue that the Government gets, then you are not helping to fill up this deficiency in the Treasury?

Mr. MITCHELL. Possibly not.

Mr. CLARK. Is anybody in the Joplin district making any money out of zinc?

Mr. MITCHELL. Not very much at the present time. They made money the first part of last year and the preceding years.

Mr. CLARK. They made money during the last twenty years right straight along, ever since the mines were opened?

Mr. MITCHELL. Yes, sir.

Mr. CLARK. And are still making it?

Mr. MITCHELL. Yes, sir; some.

Mr. CLARK. You take a well-established property down there where they have a good supply of "jack"—that is what you call it?

Mr. MITCHELL. Yes, sir.

Mr. CLARK. And it runs along even, what per cent are they making in the business?

Mr. MITCHELL. I am not acquainted with all the mines; I can not answer that question.

Mr. CLARK. You come here to testify as an expert?

Mr. MITCHELL. No; I am not an expert.

Mr. CLARK. Then they ought to put somebody who is an expert on the stand and take you off.

Mr. MITCHELL. I know, Mr. Clark, that from 40 per cent to 50 per cent of the mines are closed down and have been for over a year. They started to close down in 1907.

Mr. CLARK. That was during the panic which affected every industry in the United States?

Mr. MITCHELL. They started to close down before the 1st of July last year on account of the falling of the prices in the district.

Mr. CLARK. The reason for that was that the price of zinc had been so high that you had made an overproduction in the market?

Mr. MITCHELL. The price of zinc was not high in the early part of 1907.

Mr. CLARK. How high was it?

Mr. MITCHELL. It was about $47.

Digitized by Google

Mr. CLARK. What is the highest it ever was?

Mr. MITCHELL. Fifty-five dollars in the early part of 1905.

Mr. CLARK. How much was it under the McKinley bill?

Mr. MITCHELL. I can not tell you.

Mr. CLARK. Is there anybody present in this vast multitude who can answer that question?

Mr. MITCHELL. It was very much less than it is now.

Mr. CLARK. They made money then?

Mr. MITCHELL. They were mining a different proposition. They were mining soft ground that ran a very high percentage of zinc in the ore. The machinery that was required in the mining was very simple. In mining at the depth of 150 feet and where we are now mining, the percentage of ore is very much less than it was in the upper level, and you have to have more expensive plants. You have to handle free ore in order to make any money.

Mr. CLARK. The better the ore the less money you make; is that your proposition?

Mr. MITCHELL. No, sir.

Mr. CLARK. Then why not work that ore now?

Mr. MITCHELL. It is already worked out.

Mr. CLARK. The truth of the whole business is that the ore lies in pockets?

Mr. MITCHELL. The sheet-lead ore is not in pockets.

Mr. CLARK. Lead and zinc both?

Mr. MITCHELL. No, sir. The upper runs were in pockets, running from 75 to 150 feet in depth.

Mr. CLARK. Are you making any money?

Mr. MITCHELL. We could make money, but we are not running.

Mr. CLARK. Why do you not run if you could make money?

Mr. MITCHELL. We expect to run when the prices go up.

Mr. CLARK. I thought you said a moment ago that you could make money?

Mr. MITCHELL. Some of the men are making money.

Mr. CLARK. If you can make money, why do you not run?

Mr. MITCHELL. That is a business proposition. I can make more money if the prices of ore go up.

Mr. CLARK. Certainly, and the farmer can make more money if the price of corn goes up. If you can make money, why do you not stay there and try to make the money instead of coming here asking for a high duty?

Mr. MITCHELL. Simply because the price of ore has not gone up sufficiently. I am not going to run until it goes up to a certain price.

Mr. CLARK. You have fixed the price?

Mr. MITCHELL. No, sir; but the price of ore has been going up.

Mr. CLARK. The truth is that you found out in the last few months that there was not any tariff on zinc and you thought you should be put in the bill with the rest of them?

Mr. MITCHELL. We found it out four years ago.

Mr. CLARK. You knew it when you went into the business?

Mr. MITCHELL. No, sir.

Mr. CLARK. Did you not just say that you went down there four years ago?

Mr. MITCHELL. Yes, sir; but we did not know anything about it until after that.

Digitized by Google

Mr. CLARK. Your ore runs 60 per cent and the Mexican ore runs 40 per cent?

Mr. MITCHELL. Yes, sir.

Mr. CLARK. And the Mexican has to pay the cost to get it up here to the smelter, and yet, with an advantage of 20 per cent in the production, you can not compete with him?

Mr. MITCHELL. We can not compete when they open up the Mexican mines and they ship in as much stuff as they expect to.

Mr. CLARK. You are just speculating on what they will ship?

Mr. MITCHELL. We know there is a large development down there and large construction of lateral railroads, and we know from what examinations have been made that we may expect very large importations of Mexican ore.

Mr. CLARK. Suppose, after you got the tariff tacked on here, it should turn out that it was all a fake about the Mexican ore coming and busting you, and it turned out that there was not any Mexican zinc, then would you come here and ask that the duty be taken off?

Mr. MITCHELL. I do not think we would ever be put in that position.

Mr. CLARK. I asked you a simple question.

Mr. MITCHELL. I do not think that is a fair question.

Mr. CLARK. You do not know that there is any zinc in Mexico?

Mr. MITCHELL. Not personally, but I know it as well as any man can.

Mr. CLARK. Who runs the Mexican mines—mostly Americans?

Mr. MITCHELL. Some of them.

Mr. CLARK. The Americans own pretty nearly everything in Mexico that is worth owning; is not that true?

Mr. MITCHELL. Yes; some Americans do. We know that there are large deposits of Mexican ore and that there is a very large development and that they are going to ship it in here or to Europe, and we presume it is coming here.

Mr. CLARK. Do you not think that the zinc owners of the United States ought to be willing to contribute their part to run the United States Government, just like the balance of us have to do?

Mr. MITCHELL. I suppose they can contribute their part.

Mr. CLARK. If you are afraid of this infinitesimal competition from Mexico, it does not seem to me that your patriotism reaches a high stage.

Mr. MITCHELL. It is not infinitesimal when it amounts to 105,000 tons in one year.

Mr. CLARK. What was the total production in the United States last year?

Mr. MITCHELL. Nine hundred and two thousand tons.

Mr. CLARK. And you can not compete with the 105,000 tons imported from Mexico?

Mr. MITCHELL. The Mexican ore comes in direct competition with the Joplin ore, because that is the ore which the smelters use for the purpose of making spelter.

Mr. CLARK. There is not any ore in the United States that amounts to enough to be worthy of consideration except in the Joplin district and in the Flat River district, is there?

Mr. MITCHELL. They are not mining zinc in the Flat River district.

Digitized by Google

Mr. CLARK. Missouri and Arkansas and the northeastern corner of Indian Territory produce 70 or 80 per cent of all the zinc produced in the country?

Mr. MITCHELL. I understand they are producing ore in Idaho and Utah.

Mr. CLARK. They are trying to produce it in Idaho and Utah, but, as a matter of fact, what is known as the Kansas-Missouri zinc district, which embraces southwestern Missouri, southeastern Kansas, and northeastern Oklahoma and a piece of Arkansas, produces more than 70 per cent of all the zinc ore produced in the world?

Mr. MITCHELL. No, sir.

Mr. CLARK. Is not that what the owner says when he wants to sell his mine to somebody?

Mr. MITCHELL. I never tried to sell a mine to anybody.

Mr. CLARK. They do sell mines to some people?

Mr. MITCHELL. Yes, sir. Your statement is an extravagant statement when you say that they produce over 70 per cent of the production in the world.

Mr. CLARK. How much do they produce?

Mr. MITCHELL. I stated a little while ago that the Joplin district produced 70 per cent of the spelter produced in this country. I do not know what the production of the ore is in the foreign countries.

Mr. CLARK. Is it not infinitesimal as compared with your district?

Mr. MITCHELL. No; it is not. If you will turn to the spelter production in European countries, you will find that there is a great deal of spelter produced in foreign countries.

Mr. CLARK. You get zinc and lead out of the same hole in the ground?

Mr. MITCHELL. Yes, sir.

Mr CLARK. How much does lead sell for?

Mr. MITCHELL. It sells now for $54 a ton.

Mr. CLARK. How much is zinc selling for?

Mr. MITCHELL. About $40 a ton.

Mr. CLARK. How much profit are you making on the lead?

Mr. MITCHELL. I can not say; I do not know.

Mr. CLARK. You come here to enlighten the committee and then can not answer the questions asked. Is there anybody here who knows how much the profit on lead is?

Mr. MITCHELL. I doubt it.

Mr. CLARK. I mean the miner, the man who owns it. Give me the name of somebody in this audience who knows the profit on lead.

Mr. MITCHELL. Mr. Ihlseng, I think, can answer those questions.

Mr. CLARK. Do you know, Mr. Ihlseng?

Mr. IHLSENG. Yes, sir.

Mr. CLARK. Are you going to take the witness stand?

Mr. IHLSENG. Yes, sir.

The CHAIRMAN. The duty of 20 per cent was collected to how long ago?

Mr. MITCHELL. I think the duty has been collected up to the present time.

The CHAIRMAN. On a portion?

Mr. MITCHELL. Yes, sir.

The CHAIRMAN. Was it collected on all up to a certain time?

Mr. MITCHELL. No, sir.

Digitized by Google

The CHAIRMAN. How long have you been asking Congress for this duty?

Mr. MITCHELL. During the last Congress, I think, Mr. Shartel introduced the bill. It was when Mr. Shartel was in Congress.

The CHAIRMAN. Have you a statement showing the cost of production in Mexico, including the labor and the freight to the smelter?

Mr. MITCHELL. Yes, sir; that is included in an exhibit in my brief.

The CHAIRMAN. And does that also give the cost of production in Missouri?

Mr. MITCHELL. In Missouri there is quite a number of small miners, different individual mine owners. We have some 500 or 600 producing mines there, when they are all running, and I presume that over 97½ per cent of them are owned by individuals.

The CHAIRMAN. It is true that zinc ore is found in New Jersey, Pennsylvania, Virginia, and Wisconsin, as well as in Missouri?

Mr. MITCHELL. Yes, sir.

The CHAIRMAN. Do you know how much of the ore is mined in each of those States?

Mr. MITCHELL. There are very large mines in New Jersey, producing 368,000 tons a year, but that is not used for smelter purposes; it is turned into zinc oxide.

The CHAIRMAN. As I understand, you think that zinc ore requires the same protection as lead ore?

Mr. MITCHELL. Yes, sir; we are asking that.

The CHAIRMAN. Of course, the lead ore has not been fixed at 1½ cents yet.

Mr. MITCHELL. I understand that.

The CHAIRMAN. You think the relations are about the same?

Mr. MITCHELL. Yes, sir.

Mr. CLARK. If they had the New Jersey mines down in Joplin nobody would work them. They are not rich enough to be compared with the Joplin mines?

Mr. MITCHELL. They produce an entirely different kind of ore, and they turn that ore into zinc oxide.

Mr. CLARK. But you did not go to New Jersey and go into the same business, did you?

Mr. MITCHELL. No, sir.

STATEMENT OF AXEL O. IHLSENG, OF JOPLIN, MO., IN ADVOCACY OF PLACING A DUTY ON ZINC ORES.

WEDNESDAY, *November 25, 1908.*

Mr. IHLSENG. Mr. Chairman and gentlemen of the committee, Mr. Mitchell has not, perhaps, referred to the possibilities of Mexico as to the production of zinc ore. I have traveled all over Mexico and am quite familiar with the districts throughout the Republic, and, of course, with the cost of production, and I think I can say that at the present time they show a possibility of a production which unquestionably will be one of the serious things that the Joplin district and the zinc producers of the United States must contend with.

Going over the field you will find that the ore formations in Mexico, the largest portion of the mines, at least, in Mexico, are in

Digitized by Google

what is called the "carbonate formation," and the carbonate and oxide ores are the chief productions. This ore is massive between the limestone, cropping out on the surface, is easy to mine, and requires very little sorting.

The cost of production in the oxide ore mines of Mexico does not exceed $2.50 a ton in labor and the incidentals thereto, whereas the same character of ore produced in the United States can not be produced, even in Wisconsin, which is the great carbonate-producing region of the United States, at less than $10 to $12 a ton. The comparative cost of labor is shown in the fact that it is $2 in Mexico, as against $12 in Wisconsin.

The ore deposits in Mexico extend all the way down the National Railroad, through the mountains which comprise that range, both east and west of the National Railroad, to Monterey, and follow the ridge on the east side of the National Railroad down as far as San Luis Potosi, and the same thing occurs on the west side of the railroad. These deposits occur close together and are exceedingly numerous. The production in that portion of Mexico lying between San Luis Potosi and Laredo is unquestionably fully 100,000 tons, and during the year 1907 the production west of that, on the International Railroad, through Bajan, Muzquiz, and those regions, was fully 30,000 tons, and there were at least 30,000 tons produced in the Chihuahua region up on the Orient Railroad. East of Chihuahua the field is very large. The area of the field east of Chihuahua unquestionably covers the entire area, 100 miles square. It is not all ore, of course, but it occurs in crevices between the limestone. Some of the crevices are 2 feet thick and some 10 feet thick, and the cost of mining is immaterial. The sulphide ore, which is used by the smelters, is only produced to any extent in two or three spots in Mexico. The largest producer of blende is at Guerrero, west of Chihuahua, at which the total cost of production, including mining and milling, does not exceed $6. This body of ore is about 500 feet long, 200 feet thick, and 180 feet high. That is a massive body of ore. At Charcas we find not only a great blende mine, but the greatest silicate mine, I think, in the world, outside of the mine which is located in Belgium. I have a photograph here showing the mountain of ore. It is an immense body. I will show you [exhibiting photograph]. That house [indicating] is about 15 feet high, and the mountain is practically a low grade of ore; in spots it is high-grade and can be hand sorted all over. It is only a shipping proposition. The cost of mining in that proposition does not exceed 75 cents gold a ton, and the transportation charges of the railroad do not exceed 75 cents a ton.

When the last tariff act of 1897 was considered the question of a duty on zinc ore was not thought of, because it evidently escaped the attention of everybody. Calamine, which is the only zinc ore known on the tariff list, is an ore which was imported only to a very small extent, and has stood on the tariff list in various phases ever since 1792. At one time it did have a tariff of 10 or 12 per cent, along in 1846, but in 1857, I believe, it had a tariff of a lower rate, and in 1862 or 1863 the tariff was taken off. In 1897 the zinc ores were evidently unfamiliar to the Ways and Means Committee and did not occupy the attention even of the miners, because at that particular time they did not seem to consider the tariff under any circumstances, not that it did not make a difference, but it was simply a

Digitized by Google

matter of negligence. At that time the smelters who were handling the ore asked and obtained a duty on the zinc oxide of 1 cent a pound. Now, the zinc oxide, which is practically produced by a monopoly in this country, costs from ordinary grade ore about $18 a ton to produce. The cost of smelting, I mean the total duty on that oxide, is $20, showing that the duty imposed and exacted on zinc oxides is greater than the cost of producing the material from the ore; that is, exclusive of the cost of the ore. The metal itself has a duty of 1½ cents a pound, and it costs the smelters to produce the metal from our ordinary blende or from our ordinary oxide ores an average of about $27 a ton of metal. The duty being $30, the metal smelters have a protection of $30 a ton on their metal, as against a cost of $27 for producing that particular metal. The sheet manufacturers are also protected under that same tariff act by a duty of 2 cents a pound. In all cases of sheet manufacturers sulphuric acid is produced as a by-product and is one of the chief sources of profit. The total cost of producing sheet per ton, deducting the profit from the acid, is about $23, and the duty levied upon sheets is $40, showing that the duty exacted is greater than the cost of smelting and making the sheets from the ore, this exclusive of the ore itself. These are the three classes of smelters who are using zinc ores.

It was unquestionably evident and must have been in the minds more or less of the committee considering the tariff act of 1897 that the smelters were to be given such protection as protected their production, and, inasmuch as the cost of manufacture over the raw material was equal to the tariff, that the tariff act was undoubtedly intended to cover the mining and the producing of the ore itself. That unquestionably must have been the fact. I do not see how we can get away from it, either.

Now, on the other hand, the producers of zinc ore—take, for instance, the Joplin district, the average throughout the district is 3½ per cent, that is the average run of zinc ore throughout the district, taking all the mines, in and out, some of them lower and some of them higher, the actual cost of producing zinc concentrate from the crude ore is on the basis of about $1.05 to $1.10 per ton of rock. The cost of operation on 3½ per cent ore is $33 per ton. Of this 60 per cent is labor, and the balance is for material, fuel, machinery, supplies, and wear and tear on the plant. This $33 cost allows absolutely nothing for amortization. Amortization costs, as near as I can figure, which would include the royalty, $10 a ton. That makes the cost a little higher than Mr. Mitchell stated, because I believe my figures are a little more accurate than his, as I have gone over the field carefully. My total cost, including amortization, would be $43 a ton.

Of course the competition from Mexico, which unquestionably is serious, hits us in this way: The smelters if they find two or three thousand tons of ore in our market unsold for the week—that is quite sufficient to bear the market. The importers from Mexico can easily at any time make a surplus in our district by simply importing a little more Mexican ore. When there is a surplus in our district little by little the price goes down. We are at the absolute mercy of the smelters there in that situation.

In the early part of 1907 the price of zinc ore was about $45 or $47. During the year 1907 the price declined to $30, at which price it was practically impossible for any mine to pay even running charges.

Digitized by Google

Inasmuch as they lease down there, they have to pay the royalty or they lose the mine if they do not operate, and they frequently operate at a loss. That is a common practice—to go down in our pockets and pay expenses while the prices are low. We do not fear Mexican competition when prices are high, because when prices are high there is a demand for the metal all over the country, and a reasonable duty placed on the ore would still permit Mexican ore to come in when the prices warrant, but we must have a sufficient duty on the zinc ore itself to make our price remain somewhere about $50—between $45 and $50—to make it pay. Whatever duty is imposed, I ask that it be imposed in an equitable way, so that the manufacture of the products of the ore bear practically the same duty as the ore itself and that we get our fair proportion of the duty.

The CHAIRMAN. Where is this ore smelted?

Mr. IHLSENG. In Kansas, very largely.

The CHAIRMAN. Largely in the center of the mining district?

Mr. IHLSENG. Yes, sir.

The CHAIRMAN. Who owns the smelting works?

Mr. IHLSENG. They are owned by quite a number of concerns. The Cockerill concern has 6 plants, the United Zinc and Chemical Company has 2 or 3 plants, and altogether there are, I think, about 25 or 28 plants in the Kansas region, several in Illinois and Pennsylvania, and 2 or 3 in the East.

The CHAIRMAN. Some of them are located in Illinois?

Mr. IHLSENG. Yes, sir; at La Salle, Peru, and Danville, and also at Marion, Ind.

The CHAIRMAN. You have given some figures about the cost of selling—have you gone into the details of that in your brief?

Mr. IHLSENG. Yes, sir.

The CHAIRMAN. So we will be able to learn from the brief the cost of selling these ores, the different prices, and the profit there is to the smelter?

Mr. IHLSENG. Yes, sir.

The CHAIRMAN. That is fully stated?

Mr. IHLSENG. Yes, sir.

Mr. CLARK. Is there not a big smelter in Missouri?

Mr. IHLSENG. No, sir; not a very big one.

Mr. CLARK. Did you ever consider this phase of the zinc proposition: If the prohibitive duty you want is put on Mexican zinc that then the smelter men will have you producers right by the throat and can fix their own prices absolutely and put you to work whether you want to go to work or not?

Mr. IHLSENG. No; they will not.

Mr. CLARK. If you build this tariff wall all around so that you can not import the Mexican zinc, would not the smelter people have you right by the throat?

Mr. IHLSENG. The peculiarity of the situation is this: The cost of a smelting plant handling zinc ore is not very great, not beyond the ordinary capital of to-day, so that if the smelters tried to choke off the miners by fixing the price, the operators could then build smelters to suit themselves.

Mr. CLARK. It has not been ten minutes since you stated that that was exactly what they did.

Mr. IHLSENG. Yes, sir; they fix the price.

Digitized by Google

Mr. CLARK. Why could they not do that then?

Mr. IHLSENG. They can fix it only to a limited extent.

Mr. CLARK. Could not they fix it absolutely then?

Mr. IHLSENG. No. Of course there is no question but what the smelters can name the price and they can regulate the price that they want to pay. The objection to competing with the smelters, who claim that their price is low, has been because it takes quite a little time to build a new plant.

Mr. CLARK. Are you a part owner of a smelting mill?

Mr. IHLSENG. No, sir.

Mr. CLARK. There are rich deposits of zinc down about Joplin?

Mr. IHLSENG. Of course, they are rich, but I have seen richer deposits.

Mr. CLARK. They have been running the zinc mines down there for years and years?

Mr. IHLSENG. Yes, sir.

Mr. CLARK. Have you any smelting mill at Joplin?

Mr. IHLSENG. No, sir; because the smelter must be located where the fuel is the most convenient.

Mr. CLARK. Is not coal just as convenient to Joplin as it is to Pittsburg, Kans.?

Mr. IHLSENG. No, sir.

Mr. CLARK. It is not more than 30 or 40 miles from Pittsburg over to Joplin?

Mr. IHLSENG. Yes, sir.

Mr. CLARK. They run a street car over there?

Mr. IHLSENG. You can not run the coal on a street car.

Mr. CLARK. You never saw the railroad in Ohio where they do that?

Mr. IHLSENG. It does not pay to move the smelter away from the fuel.

Mr. CLARK. Do you know any place where there is more coal?

Mr. IHLSENG. Not at Joplin; there are no coal mines at Joplin.

Mr. CLARK. I know there are no coal mines at Joplin, but it is such a short distance that it would not cut any figure whatever in the production, would it?

Mr. IHLSENG. Yes, sir; it does. The Empire Zinc Company built a smelter there, and found it did not pay.

Mr. CLARK. Did anybody ever make any money out of zinc at Pittsburg and Joplin?

Mr. IHLSENG. Yes, sir; when prices were $45 and $46.

Mr. CLARK. How long were prices at that rate? Let us get at the truth of this business.

Mr. IHLSENG. The first prices were $45 and $50 in the first month or two of the year 1899. That price was paid under protest by every smelter in the United States.

Mr. CLARK. Why?

Mr. IHLSENG. For this reason: They had the Joplin district right where they wanted it. They did not want to pay any more than they could help, and they did not pay anything more than they could help.

Mr. CLARK. If it is true that a smelter does not cost anything, why don't you men go to work and make a smelter mill?

Digitized by Google

Mr. IHLSENG. I am speaking of the situation nowadays, when it is easy enough to raise capital for such things. But ten years ago, when you mentioned zinc to anybody in the East, they would not know what it was. [Laughter.]

Mr. CLARK. They did not know there was such a thing, and they have become educated concerning it; and yet they have been running this New Jersey plant for centuries?

Mr. IHLSENG. No, sir. I think the New Jersey plant at the Franklin furnace was first opened in 1845 or 1846.

Mr. CLARK. How much did you get for your "jack" under the McKinley bill?

Mr. IHLSENG. When was that?

Mr. CLARK. From 1890 to 1894.

Mr. IHLSENG. A part of that time we got about $30.

Mr. CLARK. And you all praised the McKinley bill as the greatest benefit that ever struck the country.

Mr. IHLSENG. I never said anything about it.

Mr. CLARK. I know what you did do in those days. You were only getting $30 a ton, but you were then making money, and now you are getting $45 or $50 a ton and are still losing money. [Laughter.]

Mr. IHLSENG. They were losing money at $30 to $35, which was the prevailing price this winter.

Mr. CLARK. But you pick out the worst winter, the worst time there has ever been in ten years.

Mr. IHLSENG. That winter, that bad winter, was the result of the importations from Mexico, by which 25,000 tons of spelter were produced from the ore imported in the first six months of 1908, and that spelter stock was the total stock on the market.

Mr. CLARK. Don't you know that this large amount of trouble about the zinc business and every other business of the sort has been caused by the slacking up in the building business?

Mr. IHLSENG. There has been a slowing down all over.

Mr. CLARK. You want to charge it all to the Mexican business.

Mr. IHLSENG. We charge some of it to the general depression.

Mr. CLARK. Do you believe that if there had not been a Mexican mine on earth the price of domestic "jack" would not have been below what it was in the year 1898?

Mr. IHLSENG. It would not have been below.

Mr. CLARK. You say it is easy to mine this Mexican "jack" because it is in a mountain. Did you hear the man yesterday testify that the reason why he wanted a tariff on gypsum was because it was so hard and expensive to mine the thing because it was in a mountain?

Mr. IHLSENG. That is a different proposition. [Laughter.]

Mr. CLARK. It works both ways, then? [Laughter.]

Mr. IHLSENG. It may work his way with him, but I am telling you the truth. [Laughter.]

Mr. CLARK. Another question: You live in New York, do you?

Mr. IHLSENG. Well, New York is to a certain extent my headquarters. I am mining in Joplin.

Mr. CLARK. But you are living in New York?

Mr. IHLSENG. No; I am living in Missouri.

Mr. CLARK. Missouri is your home for commercial purposes?

Mr. IHLSENG. I have been living there for over sixteen years.

Digitized by Google

Mr. CLARK. You are an exporter of zinc?

Mr. IHLSENG. Yes, sir.

Mr. CLARK. When did you export the last?

Mr. IHLSENG. We exported the last from the Missouri district—and I was responsible for raising the price—in the Christmas week of 1898 and 1899; and if it had not been for my competition at that time the price would still have been $37.

Mr. CLARK. What did you get for it in the foreign market?

Mr. IHLSENG. We were selling in the foreign market at about $45.

Mr. CLARK. And you made a profit at that or you would not export it if you had not?

Mr. IHLSENG. No; that was a commercial proposition.

Mr. CLARK. Do you believe these fellows export any at a loss except accidentally?

Mr. IHLSENG. Not except accidentally.

Mr. CLARK. I am very much obliged to you for making that statement. You did a good thing when you put up the price. When was that that you last exported?

Mr. IHLSENG. In the spring of 1899.

Mr. CLARK. Why didn't you make an export again and jack the price up again?

Mr. IHLSENG. The smelters at that time scarcely realized that they had some competition, except a little local competition among themselves. When I appeared in the field at that time, I raised the local price. They keep it up to the export price.

Mr. CLARK. You said a while ago that you got $45 a ton when you exported it?

Mr. IHLSENG. Yes.

Mr. CLARK. Why is it that you do not do it again and make those smelter fellows come down?

Mr. IHLSENG. Metal is down again.

Mr. CLARK. Why did you not make them come down out of the high tree?

Mr. IHLSENG. I am not anxious about exporting ore at present.

Mr. CLARK. If you made a profitable transaction in 1899 by exporting "jack," why could you not do the same trick in 1908?

Mr. IHLSENG. Because the price would not warrant it.

Mr. CLARK. Why?

Mr. IHLSENG. Because the price in Europe is low.

Mr. CLARK. What made it low?

Mr. IHLSENG. The general depression, to a certain extent. That also made our price low.

Mr. CLARK. This proposition grows out of the fact that there is a fight on between the producers of zinc "jack" and the smelter mills?

Mr. IHLSENG. There are only two people making a contest on this thing against the producer of ore—the New Jersey Company and the Cockerills. The rest of them are not opposed to a tariff on the ores or the giving of equal protection between the metal and its products and the ore itself.

Mr. CLARK. You do not believe there is any spot in Mexico that is as rich in zinc as this Kansas, Missouri, Oklahoma, and Arkansas district, do you?

Mr. IHLSENG. Not an individual spot.

Digitized by Google

Mr. CLARK. And if you knew there was such a spot as that you would be right on it, and I would like to be with you when you started? [Laughter.]

Mr. IHLSENG. Yes.

Mr. CLARK. You get both lead and zinc out of the same hole, do you not?

Mr. IHLSENG. Yes.

Mr. CLARK. Does it cost any more to mine the zinc than it does the lead?

Mr. IHLSENG. The difficulty is to distinguish between the two. They both come intimately associated in the rock.

Mr. CLARK. Mr. Mitchell said it was a purely mechanical performance.

Mr. IHLSENG. The ore must be crushed. Then there is a mechanical separation of the zinc, the lead, and the flint. Those being of three different specific gravities, it is a mechanical process that takes place in the machine. You can not separate the zinc and the lead cost under such circumstances.

Mr. CLARK. It costs them precisely the same to get a ton of lead as it does to get a ton of zinc?

Mr. IHLSENG. No; you can not figure it that way. The percentage of lead contents in the ore down there is quite small. In the property that I have control of, taking last week's output, it was pretty large—not in the week's output, I should say, but in the week's sales. There are 800 tons of zinc ore as against 120 tons of lead. Our mine sold in this last week 800 tons of clean zinc ore and 120 tons of lead ore.

Mr. CLARK. Have they not got about the same money value per ton?

Mr. IHLSENG. Lead is a little higher.

Mr. CLARK. How does that happen?

Mr. IHLSENG. On account of the duty.

Mr. CLARK. Nothing on earth fixes the price on anything except the duty?

Mr. IHLSENG. Lead is selling in St. Louis at $4.35. The quoted price in London is $2.80 or $2.85—along in there. The duty is 1½ cents, the difference between the two.

Mr. CLARK. Then the tariff does put up the price of lead?

Mr. IHLSENG. Yes, sir.

Mr. CLARK. I am glad to hear that.

Mr. IHLSENG. Yes.

Mr. CLARK. Are the owners of lead mines making money?

Mr. IHLSENG. I think they are at St. Joe and in your district.

Mr. CLARK. Are the zinc miners making money?

Mr. IHLSENG. Some of them are, but not very many of them.

Mr. CLARK. When did they quit making money?

Mr. IHLSENG. When "jack" struck $40 they began to lose money.

Mr. CLARK. When did "jack" first go up to $40?

Mr. IHLSENG. In 1898.

Mr. CLARK. When you exported it?

Mr. IHLSENG. Yes. And then it dropped down to $35 or $38. Then it boosted up again, when metal in Europe went up, and when they paid $60 for a top price in the Joplin district. That was because

Digitized by Google

the metal price in London was very high and the smelters had to follow suit.

Mr. CLARK. You are not exporting now?

Mr. IHLSENG. No.

Mr. CLARK. How long have you been in the business?

Mr. IHLSENG. About nineteen years.

Mr. CLARK. You are making money now?

Mr. IHLSENG. Yes.

Mr. CLARK. What per cent of profit did you make on your investment in 1906 or in 1907?

Mr. IHLSENG. In 1907 on an investment of $400,000 the company made about $40,000 or $45,000.

Mr. CLARK. That was 10½ per cent or 11 per cent?

Mr. IHLSENG. Yes; but that money is not all profit. It simply represents the amount of money over and above the actual cost of operation. Included in that $45,000 must be a part of the amortization cost.

Mr. CLARK. What is that word you used?

Mr. IHLSENG. "Amortization," the depreciation of plant, etc., and the return of capital.

Mr. CLARK. Did you not count that before you started in?

Mr. IHLSENG. We pay that back as it is made.

Mr. CLARK. Did you take any money out of this business and reinvest it in other things down there?

Mr. IHLSENG. Not last year; no. This year I am doing considerable work, and it is very expensive work, and unless we get a decent price for the ore we will have to stop it.

Mr. CLARK. You put in $400,000?

Mr. IHLSENG. No; the company did.

Mr. CLARK. What is the company worth now? How much is its property worth?

Mr. IHLSENG. That is pretty hard to estimate.

Mr. CLARK. What would you say?

Mr. IHLSENG. I tried to leave that to the directors once, and they would not name the price.

The CHAIRMAN. I do not understand that Mr. Clark wants to buy it. He wants to know how much it is worth. [Laughter.]

Mr. CLARK. That is the idea.

Mr. IHLSENG. I did not know but that he had some loose change about him. [Laughter.]

Mr. CLARK. You know exactly what I want. [Laughter.] What I want to know is, how much is the property worth now? Somebody put in $400,000 at a certain time, and you made 11 per cent since. How much is the property, the result of the $400,000 investment worth now? Would they take a million for it?

Mr. IHLSENG. Quickly.

Mr. CLARK. Half a million?

Mr. IHLSENG. Yes; I think we would.

Mr. CLARK. Four hundred thousand dollars?

Mr. IHLSENG. Of course not. That is what they paid for it.

Mr. CLARK. Would you take $450,000?

Mr. IHLSENG. I am not bargaining for the sale of the property.

Mr. CLARK. There ought to be some way of finding out how much you have made.

Digitized by Google

Mr. IHLSENG. There are very few propositions down there that figure the actual cost. They simply figure the actual cost of mining and milling and the general charges that go to make up the production of the ore, but they do not add anything for the return of capital or the depreciation of plant.

Mr. CLARK. You and I know, and every other man who has a reasonable amount of information knows, that the way to calculate the profit is first to take your investment and then the cost and taxes, insurance, labor expenses, interest on the money and depreciation of the property. That all goes to the expense account, and then whatever you have got left is dividend.

Mr. IHLSENG. I do not think that during the last half of 1907, taking all the properties together, I do not think a dollar was made in the district.

Mr. CLARK. Do you think there is any district on earth that can compete with that district down there in the production of zinc?

Mr. IHLSENG. Yes; I do. I think Mexico can compete very readily. There is no question about that.

Mr. CLARK. This "jack" is deposited in pockets, is it not?

Mr. IHLSENG. In pockets and sheets in that region.

Mr. CLARK. You might bore one hole and get independently rich, and I might bore another hole 300 feet away from that and go broke? [Laughter.]

Mr. IHLSENG. Yes.

Mr. CLARK. That is the trouble with the business, is it not?

Mr. IHLSENG. That is the trouble with all mining, sir.

Mr. CLARK. That is the trouble in Mitchell's case. He digged the hole in the wrong place. [Laughter.]

Mr. IHLSENG. When a man goes to mining he must do some prospecting that brings in no returns. He must figure on that, as a matter of course, and he must expect in his mining profits to get that cost back. If he does not, it certainly will not show a profit. If he does not make on his regular mining an allowance for this additional expense, then he is out.

Mr. CLARK. Does the whole lead business pay in the Joplin district?

Mr. IHLSENG. You mean the lead business in the Joplin district, or all together?

Mr. CLARK. Which paid the better all together—zinc mining or lead mining in the Joplin district?

Mr. IHLSENG. Some of our mines are better than others.

Mr. CLARK. How is that?

Mr. IHLSENG. When you ask that question it is a question of two things coming together, when it is almost impossible to distinguish the profit in two things coming together.

Mr. CLARK. If profits are not exceedingly large down there, how did it happen that Tom Connor and other men down there made millions of money in royalty?

Mr. IHLSENG. He made it on royalty.

Mr. CLARK. But the men who dig it out of the ground did not lose?

Mr. IHLSENG. He got the royalty, even if the other fellow had to go down in his pocket and pay it.

Mr. CLARK. There has not been much of that down there, has there?

Mr. IHLSENG. There has been lots of it. There have been lots of

Digitized by Google

leases down there like Mr. Connor's, 12½ and 15 and 20. He was excessive on his royalty. Men would sink a shaft and build a mill, and to some of them the cost of operation would be greater than the receipts. The royalty would be taken out of the net proceeds of the ore each week, and that did not cut any figure with Mr. Connor. That is the way most of the landowners get rich, while the operator is taking his chances and frequently loses.

Mr. CLARK. I will ask you one more question, and will then let you off. [Laughter.] Is it not true that whenever you strike a real good piece of zinc and lead you make money? Is not that the truth?

Mr. IHLSENG. When you strike a good, real rich pocket that is so.

Mr. CLARK. The trouble down there has been a double one, as I understand it. In the first place the ore is in pockets, and you may either hit or miss the pocket. In the second place, in the desire, the laudable desire—I am not criticising it at all—in the laudable desire to find zinc and lead mines, they have gone boring holes all over the country down there, and they frequently get outside of this lead and zinc belt, do they not?

Mr. IHLSENG. Yes.

Mr. CLARK. And more money has been lost in boring holes in the ground outside of the field where they ought to have been bored than in any other way?

Mr. IHLSENG. Yes. But you see you have to get away from the general run in order to get anything new. In a new place where we are prospecting now by digging a shaft we are 2 miles from anything that has ever been considered before, and yet we have got the richest hole that we ever found.

Mr. CLARK. Then you did not get out of the belt?

Mr. IHLSENG. It depends on where the belt ends. [Laughter.]

Mr. CLARK. It ends where the zinc and lead are not?

Mr. IHLSENG. Yes; but——

Mr. CLARK. Is not that one of the reasons why everybody has not got rich that ever did mine down there?

Mr. IHLSENG. Yes, sir. But it is also one of the things that we have got to take into consideration in the cost of producing ore—the amount of money we have to spend in idle and useless prospecting to get a good mine.

Mr. CLARK. And you want Congress to put such a tariff on zinc that a fellow can make money by boring holes outside of the zinc and lead belt? [Laughter.]

Mr. IHLSENG. Oh, no. I am not going down into the middle of the sea to find a mountain. [Laughter.]

Mr. CLARK. But you are going down to Mexico?

Mr. IHLSENG. Yes.

Mr. BOUTELL. Your proposition figures out $34 a ton on the zinc?

Mr. IHLSENG. Yes, sir.

Mr. BOUTELL. Do you and the Mexican dealers in the crude material sell to the same class of people—directly to the smelters?

Mr. IHLSENG. Directly to the smelters.

Mr. BOUTELL. If this duty were levied on the zinc in the crude ore, how is that assessed? Is it done by a chemical analysis?

Mr. IHLSENG. Yes, sir.

Mr. BOUTELL. How do the dealers in the crude ore get your prices fixed?

Digitized by Google

Mr. IHLSENG. Usually by the metal market.

Mr. BOUTELL. When you sell a ton of crude ore, you do not know, except by analysis, what zinc is in it?

Mr. IHLSENG. No.

Mr. BOUTELL. Do the smelters pay on the basis of the analysis?

Mr. IHLSENG. They pay by the analysis—by the zinc contents of the ore. Zinc ore is sold in this way: There is a certain fixed price paid for the ore, with the variation of a dollar or 75 cents or 50 cents, or whatever it may be, up and down for the zinc contents.

Mr. BOUTELL. So that there is no middleman between you and the smelter, or between the Mexican and the smelter?

Mr. IHLSENG. No.

Mr. BOUTELL. What material do they turn out from the smelter? Is it in the shape of pig, and do the oxide works convert the ore into oxides?

Mr. IHLSENG. They turn it out into pigs.

Mr. BOUTELL. The smelters?

Mr. IHLSENG. Yes.

Mr. BOUTELL. Who are their purchasers?

Mr. IHLSENG. Their purchasers are the iron industry, which uses it very largely for galvanizing purposes. Probably 60 per cent of the entire product of the smelter goes into the iron manufacture.

Mr. BOUTELL. To whom does that part of the pig product go that is turned into sheet zinc that is used in washboards and bath tubs and so on?

Mr. IHLSENG. The same smelters in Illinois are making sheets out of the metal, as they produce it, for washboards, and etching, and stove sheets, and all that.

Mr. BOUTELL. You say you get for the crude ore so much a ton. The smelters pay you for the crude ore, do they?

Mr. IHLSENG. Yes.

Mr. BOUTELL. How much a ton?

Mr. IHLSENG. To-day for 60 per cent ore the market is about $39 or $40, 60 per cent of metallic zinc-content ore.

Mr. BOUTELL. What are the quotations to-day by the smelters for pig to the galvanizers and sheeters?

Mr. IHLSENG. I have not seen any quotations for the last day or two. I think it is somewhere between 5 and 5.10 at the present time. That is the quotation of spelter on the St. Louis market.

Mr. BOUTELL. Mr. Mitchell used this expression in his answer to the question propounded by Mr. Underwood: "As the price of ore went up Mexican ore could still come in." That is, the imposition of this duty would enable the miners of this ore in this country to advance the price of ore?

Mr. IHLSENG. I understand you mean if you will advance the price it permits of importation? Is that the substance of your question?

Mr. BOUTELL. No. Mr. Mitchell assumed that the imposition of this duty would advance the price of ore.

Mr. IHLSENG. I prefer to use the amount on the metal itself, $34 a ton on the zinc.

Mr. BOUTELL. A long ton, a cent and a half?

Mr. IHLSENG. Yes.

Mr. BOUTELL. In answer to the question of Mr. Underwood as to whether this duty would not shut out Mexican ore, Mr. Mitchell's

Digitized by Google

reply was that as the price of ore went up Mexican ore could still come in. The inference was that the object of the imposition of this duty was to add to the price of zinc.

Mr. IHLSENG. Of course with the imposition of the duty there would be an advance in the price of the metal.

Mr. BOUTELL. A natural advance in the price of pig?

Mr. IHLSENG. Yes; a natural advance in the price of pig.

Mr. BOUTELL. And sheet zinc?

Mr. IHLSENG. Yes; and sheet zinc and ore when the quotations of St. Louis advance. On what all the ores are sold at, whatever the duty would be, they deduct the duty and figure out how the duty is deducted, and reach the net result. You see, there is a great deal of ore that comes in of 45 and 50 per cent. Forty-five per cent ore or carbonate would be worth, on a $5 market at the smelters or at St. Louis, about $25. On a $5 market of 45 per cent ore, and, deducting the freight, that would make that ore worth at the border about $20. If you deduct $13, that would leave the $7 for the net value of the ore at the border.

That is the situation. It would leave them about $7 for 45 per cent ore shipped from Mexico on a $5 market. If metal advances to $6, the net value of that ore at the Mexican border would be increased about $6. The ore would be worth about $13.

Mr. BOUTELL. So that the imposition of this duty on the average ore, say, in order to work out the results you wish to attain, would increase the price of zinc all along the line until it is finally used in washboards, bath tubs, etc.?

Mr. IHLSENG. It will increase all the commodities made of zinc.

Mr. CLARK. Did you buy any of that zinc land down in Mexico?

Mr. IHLSENG. No, sir.

Mr. CLARK. If it is as good as you say it is, why did you not buy some?

Mr. IHLSENG. Maybe at that time there was not capital floating round. [Laughter.]

Mr. CLARK. That has kept a good many of us out? [Laughter.]

Mr. IHLSENG. Yes.

Mr. COCKRAN. Mr. Ihlseng, I would like to find out precisely what it is that you want. What rate of duty do you want imposed here?

Mr. IHLSENG. The Joplin district is asking for 1½ cents a pound duty on the zinc contents of ore, practically the same as the metal; but I think the district itself is thoroughly well satisfied that whatever the Ways and Means Committee does on metal it will stand by the metal rate.

Mr. COCKRAN. You mean if the Ways and Means Committee leaves the schedule as it is they will be entirely satisfied?

Mr. IHLSENG. Whatever there is on the metal, the same imposition of duty on the metal contents of ore is all they ask.

Mr. COCKRAN. You want some amendment of the law of some character?

Mr. IHLSENG. Yes.

Mr. COCKRAN. Tell us precisely what it is.

Mr. IHLSENG. We want a provision in the tariff law that imposes a duty of 1½ cents a pound, or whatever the Ways and Means Committee decides to place on the metal itself or spelter, on the zinc contents of ore. If the Ways and Means Committee decides to

Digitized by Google

place 1½ cents a pound on spelter, then I think we are entitled to 1½ cents a pound on the zinc contents of the ore itself. I think I have shown in the figures I have submitted that it is we who need the protection and not the smelter.

Mr. COCKRAN. That is, you think the smelter is getting a degree of protection beyond his needs and you are not getting enough?

Mr. IHLSENG. I think that we are not getting enough.

Mr. COCKRAN. You spoke of three other elements in this industry that receive protection.

Mr. IHLSENG. Those are the three different classes of smelters—the zinc oxide producers, the metal producers, and the ordinary spelter producers for galvanizing purposes.

Mr. COCKRAN. Take that one. The total cost of producing that product is what?

Mr. IHLSENG. The total cost of production, exclusive of ores, is about $18 a ton.

Mr. COCKRAN. And of that, the labor cost is what?

Mr. IHLSENG. Just about half.

Mr. COCKRAN. About $9 a ton?

Mr. IHLSENG. Yes.

Mr. COCKRAN. What is the rate of duty on that?

Mr. IHLSENG. One cent a pound.

Mr. COCKRAN. So that these people are enjoying a protection of $20 a ton on a product the total labor cost of which is $9 a ton; that is to say, the protection they are getting is 225 per cent, not a difference in labor cost, but of the whole labor cost?

Mr. IHLSENG. Yes; on their labor; and they are importing ore for this product, too.

Mr. CLARK. Don't you think that if the tariff is levied for the benefit of labor they ought to get all the tariff?

Mr. IHLSENG. I think they would in our case.

Mr. CLARK. How would it strike you to take the tariff off the smelter mills and put it on the crude ore?

Mr. IHLSENG. I think we ought to have an adjusted tariff by which we would all be protected fairly.

Mr. CLARK. How would it strike you to take it all off them and put it all on you? [Laughter.]

Mr. IHLSENG. I am not quite so one-sided as that. [Laughter.]

Mr. CLARK. How would it strike you to take one-half off them and put one-half on you?

Mr. IHLSENG. I think a cent a pound should be put on the metal, and the ore should be the same. That reduces the tariff on metal 33⅓ per cent.

Mr. CLARK. How would it do to give you what you have not got and let the other fellow have what he has got?

Mr. IHLSENG. With a cent a pound protection, it would——

Mr. CLARK. If the fight is not between the smelter men and the producers of "jack," why don't the two classes get together and agree upon a rate that would protect both of them?

Mr. IHLSENG. They ought to.

Mr. CLARK. The trouble is that the whole difficulty lies right in that row between the producers of "jack" and the smelters.

Mr. IHLSENG. I only speak of two smelters. The majority of the smelters are very much in our favor. They think they ought to have

Digitized by Google

sufficient protection for their manufactured products, particularly the sheet-metal people. They believe in protecting their product and giving us our fair share of protection as well.

Mr. CLARK. I want to ask you one more question about the relative cost of the production of zinc. That country down there about Joplin and Pittsburg, Kans., known as the Joplin district, and down around Newton, and all around there is a comparatively level country?

Mr. IHLSENG. Yes.

Mr. CLARK. Easy to get into and out of?

Mr. IHLSENG. Yes.

Mr. CLARK. And the cost of hauling to the depot would be small there?

Mr. IHLSENG. Yes, sir.

Mr. CLARK. Now, this Mexican ore country is all mountainous, is it not?

Mr. IHLSENG. Yes.

Mr. CLARK. Where it happens to be on the line of the railroad it is cheap to get to the railroad, and where the ore is not in the near vicinity of the railroad it is very expensive to get it to the railroad?

Mr. IHLSENG. It is not very expensive.

Mr. CLARK. Does not the fellow in our district have an advantage over the Mexican in getting the crude ore to the depot?

Mr. IHLSENG. No, sir. Our concentrates cost us fully 40 cents a ton per mile to haul to the depot. If we are only a few blocks from the depot, the "jack" haulers take it. If it is quite a distance away, they make the price commensurate upon the haul they have to make, whereas in Mexico you can haul ore 40 miles for $3.

Mr. CLARK. Haul it how?

Mr. IHLSENG. With ox teams.

Mr. CLARK. What particular place are your mines at—Oronogo?

Mr. IHLSENG. Yes.

Mr. CLARK. How far is that from Joplin?

Mr. IHLSENG. About 8 miles. We are very large producers. We have a switch right into the grounds and all the necessary facilities.

Mr. COCKRAN. Mr. Ihlseng, you said a cent a pound was a fair rate?

Mr. IHLSENG. A minimum rate.

Mr. COCKRAN. How do you reach that, may I ask?

Mr. IHLSENG. I reach that in this way: You take the average oxidized ores as imported from Mexico and they will run about 32 to 33 per cent, or possibly up to 35 per cent. We will take, say, a 33 per cent ore. The zinc content of a 33 per cent ore is 660 pounds. The duty on that would be $6.60. I think that duty would be ample to protect the district, so far as labor is concerned, and also ourselves as operators.

Mr. COCKRAN. It is a great deal more than the whole labor cost?

Mr. IHLSENG. Oh, no.

Mr. COCKRAN. Perhaps I misunderstood you.

Mr. IHLSENG. It costs us $17.50 a ton for labor.

Mr. COCKRAN. How much would this duty amount to?

Mr. IHLSENG. It amounts to $6.60 a ton.

Mr. COCKRAN. I thought you said a duty of 1½ cents a pound amounts to $20?

Digitized by Google

Mr. IHLSENG. I did not say that. You misunderstood me. I said 1½ cents amounted to $18 on 60 per cent ore.

The CHAIRMAN. You are speaking of long tons or short?

Mr. IHLSENG. We are dealing in short tons entirely.

Mr. COCKRAN. You are speaking about the short ton?

Mr. IHLSENG. Yes.

Mr. COCKRAN. Speaking of the other industries that you thought were protected far beyond what they are entitled to and what you are asking for, the cost of production was $18 a ton, and the duty, as I understood it, was $20. Am I wrong about that?

Mr. IHLSENG. Yes.

Mr. COCKRAN. What is the duty on these other products that you think are highly protected?

Mr. IHLSENG. The oxide has a duty of $20 a ton.

Mr. COCKRAN. I understood you to say the labor cost of that was $9.

Mr. IHLSENG. Yes.

Mr. COCKRAN. Here, then, in this particular one, there is a duty, on the theory of equalizing the cost of labor at home and abroad, which is 225 per cent of the whole labor cost in this country?

Mr. IHLSENG. Yes.

Mr. COCKRAN. On the basis of the protection that you ask, 1 cent a pound, you would get what duty upon a ton?

Mr. IHLSENG. Upon a ton of ore?

Mr. COCKRAN. Yes; this ore.

Mr. IHLSENG. The average percentage of the Mexican ore—that is, about 33—has a low per cent, from 33 per cent to 35 per cent.

Mr. COCKRAN. Make an average.

Mr. IHLSENG. I think 35 per cent is a fair average.

Mr. COCKRAN. Let us understand each other as we start. You are speaking of the crude raw product taken from the bosom of the earth, of which this piece [indicating a specimen], handed up by Mr. Mitchell, is a sample. Let us understand that.

Mr. IHLSENG. That [indicating specimen] is a piece of Joplin ore.

Mr. COCKRAN. It is a crude product similar to those produced in Mexico?

Mr. IHLSENG. The Mexican product is something like that. That is about the size of what is imported.

Mr. COCKRAN. This [indicating], to my untutored eye, seems less rich than the other.

Mr. IHLSENG. No; it is purer ore. This [indicating a specimen] is mixed with gangue and waste material.

The CHAIRMAN. The reporter can not get that down when you talk in that way, so close together.

Mr. COCKRAN. The witness states that the Mexican ore is purer than the Joplin, and points out where the Joplin has certain deleterious elements.

Mr. IHLSENG. Last year, with a production of 297,000 tons in our district—the Joplin district—it was necessary to hoist nearly 9,000,000 tons of rock.

Mr. COCKRAN. You mentioned one element of this industry that enjoys a protection of $20 to cover a $9 labor cost. Does that same

Digitized by Google

proportion hold good in other features of the industry that enjoy protection now?

Mr. IHLSENG. The labor cost of producing spelter is higher. The labor cost of that would be, I estimate, $16 or $17.

Mr. COCKRAN. What is the duty on that, do you say?

Mr. IHLSENG. The duty is $30 a ton.

Mr. COCKRAN. So that here we have a labor cost of $17, to equalize which, with respect to a lower labor cost abroad, we have an imposition of over 150 per cent duty on the whole labor cost. Now, will you give me the third item?

Mr. IHLSENG. The manufacturers of sheets.

Mr. COCKRAN. What protection do they enjoy?

Mr. IHLSENG. They enjoy a protection of 2 cents a pound.

Mr. COCKRAN. What is the cost of a ton of this?

Mr. IHLSENG. The cost to roll it from the metal is about $10 to $12 a ton.

Mr. COCKRAN. And the labor cost of that is how much?

Mr. IHLSENG. The majority of it is labor; 60 or 70 per cent is labor.

Mr. COCKRAN. That would be about $8.40 labor. How much duty?

Mr. IHLSENG. They get an additional duty over the metal of half a cent a pound, making a total duty of $40 a ton.

Mr. COCKRAN. So that they have got a duty of $40 a ton on an article on which the labor cost is $8.40?

Mr. IHLSENG. No. That would be $25.40 as the total labor cost.

Mr. COCKRAN. And they enjoy a protection on that of $40 a ton?

Mr. IHLSENG. Yes.

Mr. COCKRAN. What would be about the difference in the cost of labor here and abroad in these different industries?

Mr. IHLSENG. The labor paid in Belgium, for instance, in rolling sheets is about $1 to $1.10 a day.

Mr. COCKRAN. And how much is it in this country?

Mr. IHLSENG. About $2, and it may run up to $4.

Mr. COCKRAN. A proportion of one to two would be a liberal allowance, would it not?

Mr. IHLSENG. Yes, sir.

Mr. COCKRAN. So that if we take a laborer who draws $2 a day here as against a laborer abroad who draws $1 we have a difference in labor cost on the $9 product of $9 more, and that difference of $9 is protected by a tax of $20?

Mr. IHLSENG. Yes. But it must also be taken into consideration that besides the labor account there is a consumption of fuel and the production of coal and incidentals which go into the manufacture of the product which involve a great deal of labor as well.

Mr. COCKRAN. But the coal and all the other elements have got their protection also, so far as your industry is concerned?

Mr. IHLSENG. If the coal has protection the consumer of that coal must have his protection, and the consumer is paying the producer of coal a price commensurate with his labor and protection.

Mr. COCKRAN. Then you assume that the consumer does pay the tax. That is quite an admission from a protectionist. If we agree upon that, then you are asking to tax the consumer here?

Mr. IHLSENG. I am asking a proper protection to our own labor.

Mr. COCKRAN. That is it. No individual producer is willing to concede that a tax levied for his benefit ever reaches the consumer of

Digitized by Google

anybody else, but he does believe that the tax levied on every other industry does reach the consumer, who has to pay it. [Laughter.]

Mr. IHLSENG. When you come to consider that this tax on ore to a certain extent, which should have gone into the hands of the producer, has gone into the hands of the consumer——

The CHAIRMAN. What is the use of arguing these economic questions with the witness? What we want to get at are the facts.

Mr. COCKRAN. I thought certain cardinal principles underlaid the two theories.

The CHAIRMAN. If the gentleman desires to do it, all right, but I am simply appealing to him to know if it is not a waste of time to discuss an academic question as to whether the consumer pays the tax or somebody else.

Mr. COCKRAN. I thought that was the essence of the inquiry. But if it does not please the chairman I will not prosecute the inquiry further.

Mr. CLARK. You incidentally mentioned, Mr. Ihlseng, what you called "the Zinc Trust." Where is that octopus located?

Mr. IHLSENG. We recognize the zinc trust as the New Jersey Zinc Company.

Mr. CLARK. I want to find out where this trust is.

Mr. IHLSENG. The New Jersey Zinc Company is practically one of the largest producers of metal, and is practically the sole producer of oxides, and it dictates, of course, the price of oxides to the consumer.

Mr. CLARK. Does it dictate the price of "jack?"

Mr. IHLSENG. To a certain extent. A large portion of the ore comes from its mines.

Mr. CLARK. Has anybody ever informed Mr. Charles Joseph Bonaparte, the Attorney-General of the United States, of the local habitat of this trust? [Laughter.]

Mr. IHLSENG. I do not know of a certainty.

Mr. CLARK. I will, if you do not. [Laughter.]

Mr. UNDERWOOD. Mr. Ihlseng, you stated in answer to Mr. Clark that the cost of production of Mexican ore competing with you was very cheap, and the cost of transportation by railroad was cheap. Did I understand you to say that they hauled it 40 miles for $3?

Mr. IHLSENG. Yes.

Mr. UNDERWOOD. Three dollars for what?

Mr. IHLSENG. A ton.

Mr. UNDERWOOD. Did you state that of your own knowledge or your own information?

Mr. IHLSENG. From my own information.

Mr. UNDERWOOD. What class of roads have they down there?

Mr. IHLSENG. They are rough; not graded roads, but simply roads running out on the prairie.

Mr. UNDERWOOD. Is it a level country or a hilly country?

Mr. IHLSENG. It is a fairly level country. Of course up in the mountains they burro it down; but most of these mines are low down. The reason why they can haul so cheaply from those mines by ox teams is this—they are not required to carry any food for the oxen. They can stop anywhere and cut this cactus, which grows in big leaves like that [demonstrating], and simply burn off the thorns,

Digitized by Google

and this furnishes food and water for the oxen, so that it does not require anything else to sustain them.

Mr. UNDERWOOD. Is the road sandy or gravelly?

Mr. IHLSENG. It is sandy.

Mr. UNDERWOOD. How much do they haul with two teams of oxen?

Mr. IHLSENG. About 2 tons or 3 tons sometimes; from 2 to 3 tons.

Mr. UNDERWOOD. On a sandy road?

Mr. IHLSENG. Yes.

Mr. UNDERWOOD. The reason I ask you is that I think it is quite a remarkable statement, considering what is shown by the statistics. A publication from the Agricultural Department states that the average haul on a rough, unmacadamized road in the South is 1,350 pounds.

Mr. IHLSENG. Well, this is a Mexican experience.

Mr. UNDERWOOD. The average haul of a two-horse team on the best macadam road in Belgium and Germany is only 4 tons where the road is perfectly smooth; and that is why I ask you if it is possible that this can be done.

Mr. IHLSENG. Yes. They use a big, heavy-wheeled cart with latticed sides, and it holds about 2 tons on the average, and sometimes a little more; and they generally put two yokes of oxen on it, one on the pole and one yoke ahead.

Mr. UNDERWOOD. If two oxen haul a ton 40 miles for $3, that is 7 cents a mile per ton?

Mr. IHLSENG. Yes.

Mr. UNDERWOOD. If I recollect the statistics correctly, in the average haul in the United States over our roads, good and bad, the Agricultural Department states it will cost 25 cents a ton to haul it here.

Mr. IHLSENG. That is possible.

Mr. UNDERWOOD. That is the difference between the haul in this country, 25 cents a ton per mile on the average road, and 7 cents. Those same statistics also state that on a sandy road it costs as much as 64 cents per ton per mile.

Mr. IHLSENG. Yes.

Mr. UNDERWOOD. Now, that being the fact in this country, and the further fact that it costs only about 8 or 10 cents per mile in European countries, on their hard roads, don't you think you are mistaken in your statement as to this?

Mr. IHLSENG. No, sir. The reason why I am not is because of the statement I made. In figuring out that cost, they have to pay for feeding their animals; but, as I said a moment ago, these ox teams in Mexico do not require feed. They simply break down these cactus bushes and burn off the thorns, and that provides food and water for the oxen. As for the man who drives the team, he gets from 25 to 30 cents a day.

Mr. UNDERWOOD. That does not affect the hauling power of the team. It is a remarkable fact that a team in the United States can draw only 1,350 pounds on a comparatively hard road, and an ox team can draw 3 tons in Mexico on a sandy road.

Mr. IHLSENG. Yes; that is right.

Mr. UNDERWOOD. I will not put my judgment up against yours.

Mr. GRIGGS. You say they are sandy roads?

Mr. IHLSENG. Not such sandy roads as you would find in Jersey, but it is broken-up soil.

Digitized by Google

Mr. GRIGGS. Does the team consist of two or four oxen?

Mr. IHLSENG. Four; two on pole and two ahead.

Mr. GRIGGS. How many loads do they haul in a day?

Mr. IHLSENG. They do not haul a load in one day 30 or 40 miles. They will take three days.

Mr. GRIGGS. And they will pay the man who drives 30 cents?

Mr. IHLSENG. From 25 to 30 cents.

Mr. GRIGGS. And pay him $1.50 Mexican for three days?

Mr. IHLSENG. Yes.

Mr. GRIGGS. He hauls two tons—4,000 pounds?

Mr. IHLSENG. Yes.

Mr. GRIGGS. Has he any oxen at the end of the trip? [Laughter.]

Mr. IHLSENG. Oh, yes. They last year in and year out. I have seen the same team go along month after month.

Mr. GRIGGS. I live in a sandy country, and I know what oxen can pull, because we use oxen down there, and they are as good as Mexican oxen, I believe. I would put my judgment against yours, because I have the same knowledge of facts as you have.

Mr. IHLSENG. This is a case of experience, in which I pay bills, and I know.

Mr. GRIGGS. I do not deny that you are paying $3 for it, but I deny the fact that they haul 4,000 pounds.

Mr. CLARK. Mr. Ihlseng, we have in the county you are located in and the county that I live in the best roads in the world, haven't we? [Laughter.]

Mr. IHLSENG. Yes.

Mr. CLARK. The best rock roads

Mr. IHLSENG. Yes.

Mr. CLAK. And you use the best mules down there to pull, don't you?

Mr. IHLSENG. Yes.

Mr. CLARK. And it would be a cracking good team of mules or even horses that would pull 4 tons over a Pike County or a Jasper County road, would it not?

Mr. IHLSENG. Yes.

Mr. CLARK. These Mexican oxen are not as good as those? They are scrubs, are they not?

Mr. IHLSENG. They are pretty fair ox teams. They are accustomed to that kind of work.

Mr. CLARK. Compared with a pair of Kansas or Missouri steers, they would not weigh one-third as much?

Mr. IHLSENG. I can not answer as to that. I am in the mining business.

Mr. CLARK. What I want to ask is this: If the Mexican oxen can perform that wonderful feat, what reason is there, with the good roads and teams in Jasper County and Pike County, why they can not haul better than those teams down in Mexico with the facilities they have?

Mr. IHLSENG. Because they have to pay good wages for the men and they have to feed their teams in this country.

Mr. CLARK. The cactus plants would not grow as fast in Jasper and Pike counties as they grow down in Mexico?

Mr. IHLSENG. I guess not. [Laughter.]

Digitized by Google

Mr. CLARK. In what particular town in New Jersey is this octopus that we hear of?

Mr. IHLSENG. I would not call it that. They are in New York.

Mr. CLARK. The headquarters of the New Jersey trust is in New York?

Mr. IHLSENG. Yes, sir; the New Jersey Zinc Company. Its headquarters are in New York.

BRIEF FILED BY AXEL O. IHLSENG, JOPLIN, MO., RELATIVE TO ZINC INDUSTRY AND TARIFF PROTECTION.

WASHINGTON, D. C., *November 25, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: In the act of 1897 zinc ore was not properly considered, and in consequence no adequate protection was granted to an industry which is now suffering the consequence of this oversight.

The industry at that time was comparatively unknown and was suffering with all other industries from the panic of 1893. There was no thought of a possibility of competition from foreign sources. The industry was at the absolute mercy of the smelters, who paid only such prices as would furnish them with sufficient ore. Their margin of profit was large. With the mining industry at the mercy of the smelters, little progress was made and only rich surface deposits of ore were available. Then a strong competitor for ores entered the market for export, when the smelters discovered a necessity for advancing prices. Since that time, with wholesome competition to fear, the prices paid for zinc ore advanced. Lower-grade ore bodies could be worked, and the smelters were obliged to pay for ore on a business basis. The industry has grown to great proportions, and the Joplin, Mo., district, the main source of zinc-ore supply in the United States, has grown into a great community in ten years of development, with good wages paid to labor. Other districts in the United States have become producers and can increase.

Now, the district which has grown up by the patience and energy of a strictly American race of people is threatened by the free importation of ore from foreign sources, ore which is being mined with the cheapest of labor. These importations began in 1905, and so affected the metal market that there was a surplus of metals.

By the act of 1897 every product made from zinc ore is protected. The smelter producing metal, the manufacture of oxide, and the manufacture of sheets, but the producer of zinc ore is left wholly without protection and at the mercy of the keenest competition. This competition, which chiefly comes from Mexico, is such that in 1907 the production of zinc ore in Mexico was 140,000 tons, while in 1904 it was nothing. The extent of the territory in Mexico embraced in the producing zone is enormous. The mines are inexpensive to open, the ore bodies are large, require little treatment, and are worked by cheap labor.

Digitized by Google

Rate of wages.

	Mexico.	Joplin district.
Miners	$0.40 to $0.75	$2.00 to $2.50
Laborers	.30 to .50	1.75 to 2.00
Engineers	.50 to .75	2.25 to 2.75
Mill men	.75 to 1.00	2.75 to 3.50
Haulage	10 cents per ton-mile.	40 cents per ton-mile.

The tariff act of 1897 provided duties as follows: Zinc oxide, 1 cent per pound (Schedule A, par. 57). Zinc sulphide (white), 1¼ cents per pound (Schedule A, par. 57). Zinc chloride, 1 cent per pound (Schedule A, par. 57). Zinc in blocks, 1½ cents per pound (Schedule C, par. 192). Zinc in sheets, 2 cents per pound (Schedule C, par. 192.) Zinc for smelting, 1 cent per pound (Schedule C, par. 192). Calamine (one ore of zinc) free.

This act provided only for one ore of zinc (calamine), and made no provision whatever for the chief ore—blende, or zinc sulphide. The production of calamine was small and not significant in comparison to blende. Every product from zinc ore is protected without any protection being accorded to the ore itself.

The cost of production of zinc ore is greater than the cost of producing the metal from the ore. The ore produced in the Joplin district from the mines is low grade, unfit for use. The average zinc content is about 3½ per cent. To make a salable product, this ore must be crushed and concentrated in an expensive plant of machinery, while the Mexican ore is simply hand broken and hand sorted and shipped more or less crude, but occurs in such high grade that a 35 to 45 per cent product is easily obtained without mechanical treatment. In this lies the greatest menace to the district—the rich and cheap ore bodies of Mexico.

The machinery required in the Joplin district for a single mine represents an installation costing $30,000 to $75,000.

Comparative cost of production.

Mines producing oxidized ores:

In Mexico.		*In United States.*	
Labor	$1.50	Labor	$6.00
Incidentals	1.00	Incidentals	5.00
	2.50		11.00

Mines producing blende (per ton of ore produced):

In Mexico.		*In United States.*	
Labor	$3.50	Labor	$17.50
Milling, etc.	2.50	General expenses, etc.	15.50
	6.00		33.00

In the Joplin district the cost of producing a ton of concentrates from 3½ per cent ore, with due allowance for amortization, is as follows:

Mining and general expenses	$33.00
Amortization cost, at 25 cents ton rock	10.00
Total cost	43.00

Digitized by Google

Under the tariff act of 1897 protection was accorded the various products of zinc, as compared to zinc ore, as follows:

Zinc oxide.

(Controlled by a practical monopoly.)

		Ton.
Duty at 1 cent per pound		$20.00
Cost of producing oxide from ore, at $4.50 per ton ore treated		18.50
Duty imposed in excess of cost		1.50

Zinc oxide.

Duty at 1½ cents per pound		$30.00
Cost of smelting (blendes $13 ton, oxidized ore $11 ton) and producing 1 ton metal average		27.00
Duty imposed in excess of cost		3.00

Sheet metal manufacture.

Duty at 2 cents per pound		$40.00
Cost of smelting	$27.00	
Less net profit on acid produced	16.00	
	11.00	
Cost of rolling sheets	12.00	
		23.00
Duty imposed in excess of cost		17.00

Producers of zinc ore.

Cost of production	$43.00
Duty imposed	00.00
Net below cost of production	43.00

It was the intention that the duty imposed on metal and its products should be a protection on the ore itself, but the smelting interests do not so consider it. The mining interests need the protection accorded metal under the tariff act of 1897, and without it the industry must droop. The claim is made that the capacity of the smelters is greater than the capacity of the mines for producing ore. This is not a fact. In 1907 and the latter part of 1906 there was a considerable increase in the smelting capacity of the United States. About 3,000 retorts were added to works already in operation, while three new works were built at Bartlesville, Okla., and one each at Delling, Kans., and at Springfield, Ill.

The three plants at Oklahoma were built primarily to handle ores from Mexico. The increased importations from Mexico offered a fine, profitable field for smelting at the expense of the American producers of zinc ore.

Imports of zinc ore.

	1904.	1905.	1906.	1907.
	Tons.	*Tons.*	*Tons.*	*Tons.*
British Columbia	2,100	8,561	600	1,157
Mexico		32,164	88,900	108,800

The total smelting capacity of the United States at this time is 87,640 retorts. The ore capacity is about 750,000 tons of roasted blende. The actual operating capacity is about 625,000 tons.

Digitized by Google

The United States is capable of producing all the ore required by the smelters. The output for the States is as follows:

Production of zinc ore in the United States.

	1904.	1905.	1906.	1907.
Arkansas	1,900	2,200	4,200	400
Colorado	94,000	105,500	114,000	142,500
Idaho		1,700	2,150	11,847
Kentucky		414	975	1,005
Wisconsin	278,238	258,500	280,250	297,126
Montana			4,900	1,200
Nevada			7,000	4,600
New Mexico	21,000	17,800	20,000	4,281
New Jersey	280,000	261,829	404,690	368,710
Oklahoma				3,240
Utah		9,265	10,700	9,043
Wisconsin	19,300	32,690	42,180	58,011
Others	2,600	3,800	850	2,241
Total	698,025	795,698	905,175	902,922

Missouri-Kansas crude oil.

The requirements of the oxide plants of the United States during the year 1907 were 285,000 tons to produce 85,390 tons oxide. For producing 249,000 tons spelter there was necessary 676,500 tons ore.

Ore produced, 1907.

	Tons.
Total production of United States	902,900
Less loss on New Jersey ore in concentration	30,000
Net production of United States	872,900
Imports	108,800
	981,700
Exports of ore	20,200
Net consumption	961,500
Consumed by oxide works	285,000
Consumed by spelter works	676,500

One hundred and eight thousand eight hundred tons imported ore yields 30,000 tons metal, equivalent to 60,000 Joplin blende, or an increase in the Joplin district of 21 per cent over 1907, without any increase in the other parts of the United States.

Joplin district produced ore sufficient to yield 60 per cent of the entire spelter production of the United States.

The developments of the Joplin and Wisconsin districts prove that they can produce sufficient ore for the American consumption of metal. Colorado, Nevada, Utah, Idaho, and, in fact, all the Western States, can produce zinc ore if adequate protection is afforded.

In the Far West the zinc ore is a product which must be separated from complex silver ores. If the zinc ore is salable, it is possible to operate mines where the chief value may be other metals. Zinc blende is a common and obnoxious component of western silver ores. If this can be eliminated from the ore and made salable, many silver mines can be worked at a profit. The cost of installation of expensive concentrating plants is great and impossible to undertake without a sale for their zinc ore at a fair price.

Digitized by Google

The same duty should be placed on the zinc contents of ores as on metal. The difference in labor cost is such that without this duty it will be impossible to pay the present scale of wages. I ask, therefore, that the same rate of duty be placed on zinc ore as is now on the metal, or such as may be accorded spelter after a full hearing.

I further ask that paragraph 514 be stricken from the free list, for the foregoing reasons.

Further, that paragraph 614, free list, be changed to read as follows:

Minerals, crude or not advanced in value or condition by refining, grinding, crushing, or any other form of concentration or process of manufacture or metallurgical or mechanical treatment not specifically provided for in this act.

That paragraph 183, Schedule C, should read "metalliferous" instead of "metallic mineral substances."

THE COCKERILL ZINC COMPANY, NEVADA, MO., PROTESTS AGAINST THE PLACING OF DUTY ON ZINC ORE.

WASHINGTON, D. C., *November 25, 1908.*

HON. SERENO E. PAYNE, M. C.,
Chairman of Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR SIR: In submitting my reasons for protesting against the placing a tariff on zinc ore I wish to emphatically deny the statement made by Mr. Ihlseng before your committee on November 25 that only two or three zinc manufacturers were opposed to the levying of this duty. On the contrary, nearly all of the smelters in this country are opposed to this duty. What attitude the Vielle Montaigne Company, of Belgium (of which company Mr. Ihlseng is the buyer), takes in this matter, I am unable to say, but I presume this is immaterial to your committee. The Cockerill Zinc Company, of which I am the president, owns six smelting plants in Kansas and Missouri, and buys its ores in Missouri, Kansas, Colorado, Arkansas, Idaho, Montana, New Mexico, British Columbia, and old Mexico. We are now running about 50 per cent of our works because of our inability to secure an adequate ore supply, and the imposition of a duty on zinc ore, especially if it is of sufficient magnitude to be prohibitive, will result in the closing of more furnaces and the throwing out of employment of many laborers who are now employed in the industry.

The claim made by the Joplin mine operators that the importation of ore from Mexico and other foreign countries is responsible for the present depression in the zinc business is untenable, as the same condition prevails in the lead and copper trade, and in fact in all metals. Great stress is laid on the fact that on January 1, 1908, the stocks of spelter in the hands of the smelters amounted to approximately 30,000 tons, while the shipments of ore from Mexico and British Columbia during the year 1907 aggregated approximately 100,000 tons, the conclusion being that this ore being low grade represented practically all the spelter that was in stock the 1st of January, 1908, and that if no importations had been made there would have been no stocks of spelter on hand.

Digitized by Google

While the facts as stated are true, namely, that the stocks of spelter on hand the 1st of January amounted to approximately 30,000 tons and that shipments from Mexico in 1907 amounted to about 100,000 tons, our Joplin friends do not state that 80,000 tons of this 100,000 tons of ore shipped from Mexico were shipped prior to the 1st of September, 1907, and that on the 1st of September, 1907, there were practically no stocks of spelter on hand. It is evident, therefore, that if we had not succeeded in getting ore from Mexico the brass manufacturers, galvanizers, and wire manufacturers would have been compelled to import a large amount of spelter in order to run their works up to the 1st of September, 1907 (as the smelters in this country could not have secured the ore necessary for the full operation of their furnaces), the net result being that the 30,000 tons above referred to would have been in their hands instead of the hands of the smelters.

In order to place this question before you intelligently it is necessary to present statistics of ore and spelter production for a number of years past. Exhibit A, attached hereto and made a part hereof, shows the production of ore in the Joplin district and of spelter in the United States from 1881 to 1907, inclusive. It will be observed that from 1881 to 1897, inclusive, the production of ore kept pace with the production (as well as the consumption) of spelter. In other words, for every 100 tons of spelter produced in the country the Joplin district furnished from 180 to 190 tons of ore. In 1881 the production of ore was 58,000 tons and of spelter 30,000 tons, a ratio of 190 to 100; in 1885 the ore production was 74,000 tons and the spelter production 40,686 tons, a ratio of 181 to 100; in 1891, 145,550 tons of ore, 80,262 tons of spelter, a ratio of 181 to 100; in 1900, 242,500 tons of ore and 123,886 tons of spelter, a ratio of 195 to 100. Commencing with 1902 the situation changed. Spelter consumption increased so rapidly that in spite of very high prices being paid for ore the Joplin district could not furnish its usual proportion of the ore needed, and in 1902 the ratio of ore to spelter was only 167 to 100; in 1903, 147 to 100; in 1904, 143 to 100; in 1905, 128 to 100; in 1906, 125 to 100; in 1907, 119 to 100.

This was the condition the first of this year in spite of the fact that high prices for ore have prevailed for ten years almost continuously.

Please observe that during the period from 1898 to 1908 the ore production in the Joplin district increased from 235,123 tons to 297,126 tons, an increase of nearly 27 per cent, while the production of spelter increased from 114,104 tons to 249,612 tons, an increase of nearly 119 per cent. This year will show a falling off of perhaps 20,000 tons in the Joplin district production and nearly 40,000 tons in the importations from Mexico. This falling off is due to the depression in business and not to the importations from Mexico, as the decrease in the importations will be nearly 50 per cent, while the decrease in the Joplin district will be less than 8 per cent.

As further proof that the Joplin district and the United States can not furnish the ore needed by the smelters, government statistics show that in the year 1906 89,500 tons of zinc ore were imported into this country from Mexico and British Columbia, and yet the stocks of spelter on hand on January 1, 1907, amounted to less than 5,000 tons. This 89,000 tons of ore represented approximately 30,000 tons of spelter. If, therefore, there had been a prohibitive duty on this

Digitized by Google

foreign ore, this 30,000 tons of spelter would necessarily have been imported by the users of spelter—that is to say, by the brass manufacturers, the galvanizers, and the wire manufacturers—who would have been obliged to raise the price of their goods to their customers, while a part of the wage-earners in our smelters were out of employment because of our inability to get ore. Who would have been benefited? No one, I submit, except the foreign manufacturer of spelter and his workmen. Surely the Joplin mine operators will not claim that the ore prices in 1905 and 1906 were not satisfactory, as they were more than double the prices that prevailed from 1889 to 1893, inclusive.

Mr. W. R. Ingalls, now editor in chief of the Engineering and Mining Journal and probably the best-posted writer on the zinc question in the United States to-day, wrote in the Engineering and Mining Journal on January 6, 1906, as follows:

> The production of the Joplin district showed no significant change from the output of several years previous. However, it was a little smaller than in 1904. It appears to be recognized that this district is now affording as large an output of ore as can reasonably be expected from it, and further supplies must be looked for in other quarters. Indeed, if it had not been for the prominent position which the zinc ore of Colorado and other Western States has assumed in the market there is no doubt that disaster would have overtaken the domestic zinc industry.
>
> The delivery of large supplies of ore from the Rocky Mountains, however, has enabled several smelters of Kansas to withdraw from the Joplin district. There are now a good many large plants which run exclusively on ore from the Rocky Mountains.
>
> Zinc ore was shipped in 1905 to the Joplin district from Colorado, New Mexico, Arizona, Utah, Nevada, Idaho, and Montana. Important supplies were obtained also from British Columbia, and to a larger extent from Mexico, where in the vicinity of Monterey large deposits of carbonate ore have been worked. The ability to ship these comparatively low-grade ores from points so remote from the smelting centers is due to the very low rates on such traffic which have been made by the railways. If the freight rates were reduced to the ton-mile basis they would figure out, perhaps, as low as on any commodity traffic on this continent.

Inasmuch as the importation of zinc ores did not assume large proportions until 1905, it is evident that the importing of these ores has not depressed the price of the Joplin ore. The facts are that the production of the Joplin district has increased very little during the past ten years, in spite of the high prices being paid, while the production of spelter has increased enormously.

From government statistics (see Exhibit A) we find that the average price paid per ton of Joplin ore from 1889 to 1893 was $18.85; from 1896 to 1901 the average was $27.05; and from 1905 to 1908 it was $44.47 per ton. In spite of this enormous increase in the price, the production in the Joplin district in 1907 shows only a 10 per cent increase over 1904.

Does this not prove conclusively that the Joplin operators are simply pursuing a "dog in the manger" policy, and that they can not possibly furnish the ore that is necessary for the operation of the smelters, even though the smelters should pay $60 per ton instead of from $40 to $45?

It has generally been supposed that the cost of making spelter in Europe was considerably below the cost of making it in this country, owing to the wages being higher here than there. We are reliably

Digitized by Google

informed by parties who are interested in the manufacture of spelter in both countries that this difference is not now nearly so great as it was ten or fifteen years ago.

This is due to a small extent to the increase in wages paid in certain parts of Europe, and to a great extent to the high price paid for fuel, and there is no doubt but that there are some smelters in this country that are making as cheap spelter as is made in Europe, the advantage in the labor cost in Europe being offset by the advantage that the domestic smelters have in their fuel cost.

The smelters in this country can successfully compete with the foreign smelters for ores mined in Mexico, if no duty is exacted. This has been proven whenever we have had to compete for these ores in normal times, the rates of freight from the Mexican mines to the smelters in this country and to the smelters in Belgium and Germany being about the same. The following table shows what the smelters in this country paid for Joplin ore on certain dates and what the European smelters would have paid for the same ore on those dates:

Date.	St. Louis spelter, price per pound.	60 per cent ore on European formula.	Joplin base, price for 60 per cent.
	Cents.		
July 11, 1908	4.2875	$29.84	$34.00 to $36.00
July 25, 1908	4.375	30.20	33.00 to 36.00
August 22, 1908	4.525	31.69	36.00 to 37.00
September 5, 1908	4.575	32.18	37.00
September 26, 1908	4.625	32.67	37.50
October 3, 1908	4.625	32.67	38.00

From this table it will be seen that the smelters in this country have paid from $4 to $6 more per ton for 60 per cent ore than the Joplin people would have received for the ore if sold on the European formula. In other words, we are to-day paying the Joplin miners from $4 to $6 per ton more for their ore than they could get from the smelters in Germany and Belgium if their mines were located within 30 miles of those smelters, or where the freight charge from the mines to the smelter was not in excess of $1 per ton. We claim that the difference in the cost of manufacturing a ton of spelter here and in Europe to-day is slight and that the large difference in the price of the manufactured product in Europe and America at this time is due almost entirely to the fact that they are buying their ores cheaper than we are, and yet these representatives from Joplin (most of them landowners, who charge from 15 to 30 per cent royalty for everything that comes from their land in times of panic and of plenty) come before you and ask for a duty to enable them to get $10 more instead of $5 more per ton for their ore than they would get if their mines were located in Europe.

An editorial in the Engineering and Mining Journal of August 22 last on this question might be of interest to your committee. It is as follows:

A subject that is especially engaging attention in the Joplin district is the organization of an effort to secure the imposition of a tariff on zinc ore at the next session of Congress. In several of the towns of the district zinc-ore

Digitized by Google

tariff clubs are being formed. The purpose is to effect the exclusion of Mexican ore and thereby elevate the price of American ore by reducing the supply that heretofore has been available to the smelters.

It is obvious that such an arbitrary restriction of ore supply would increase the price of domestic spelter within certain limits and would correspondingly increase the price of domestic zinc ore. The bill would be paid by the consumers of spelter. During the last twelve months this scheme would not have worked successfully, because the consumers have not wanted to buy much spelter, and the offering of the metal at comparatively low prices has not prevented the accumulation of a large unsold stock, which still exists. However, under the stimulus of a revival in business, a restriction of the output would naturally have the effect of advancing the price more rapidly and higher than otherwise. But there would be a limit to such an advance at the point where it would become profitable to import spelter and at the point where many consumers would be led to abandon the use of zinc and employ cheaper substitutes.

At the present time there are in operation in the United States about 53,704 retorts out of a total capacity of 86,336 (a little more than 62 per cent), and in spite of the fact that we are getting from 1,000 to 1,200 tons of ore weekly from Mexico a number of smelters are unable to procure sufficient ore to successfully operate the furnaces that are fired up, not to mention those that are idle and will probably be started after January 1 if the necessary ore can be secured.

The object of the tariff, as we have always understood it, is, first, to raise revenue for the expenses of the Government; second, to protect manufacturers and the wage-earners employed by them. If the object in putting a tariff on zinc ore be to raise revenue, the duty that has been charged erroneously and unjustly up to this time, namely, 20 per cent ad valorem, which means about $3.20 per ton of ore, will be equal to what we consider a fair average profit. In other words, it means taking the entire profit on the imported article and appropriating it for the government expenses. If the object be to protect the manufacturer and the laborer in the manufactory, the placing of a duty on zinc ore will not accomplish the purpose. On the contrary, it will result in the closing down of zinc smelters in this country, the throwing out of employment of thousands of laboring men, the fostering of industries across the water instead of in this country, and raising the price of spelter to the brass manufacturers, galvanizers, and wire manufacturers, correspondingly higher prices for their products to the consumer, all for the reason that the Joplin operators are fearful that at some date in the dim future the importation of Mexican ore may possibly injure their business.

For the reasons herein outlined, we protest against the levying of a tax of any kind on our raw material.

Respectfully,

A. B. COCKERILL,
President Cockerill Zinc Company.

Digitized by Google

EXHIBIT A.

Production of zinc ore in the Joplin district and production of spelter in the United States from 1881 to 1907, inclusive.

Year.	Ore.	Spelter.	Ore to each 100 tons of spelter.	Average price of ore.	Year.	Ore.	Spelter.	Ore to each 100 tons of spelter.	Average price of ore.
	Tons.	*Tons.*	*Tons.*	*Per ton.*		*Tons.*	*Tons.*	*Tons.*	*Per ton.*
1881	58,200	30,000	190	.....	1895	144,187	87,591	164	.....
1882	60,300	33,765	178	.....	1896	153,082	81,878	186	$22.82
1883	63,700	36,872	172	.....	1897	177,975	100,387	177	22.28
1884	74,300	38,544	192	.....	1898	235,123	114,104	206	28.44
1885	74,000	40,688	181	.....	1899	256,456	129,051	197	38.54
1886	85,400	42,641	200	.....	1900	242,500	123,886	195	26.50
1887	98,300	50,340	195	.....	1901	258,346	140,822	183	24.21
1888	102,350	55,903	183	.....	1902	262,545	156,927	167	.....
1889	106,750	58,860	183	.....	1903	234,873	159,219	147	.....
1890	122,850	67,342	182	$20.90	1904	267,740	186,702	143	.....
1891	145,550	80,262	181	17.90	1905	258,500	201,748	128	44.88
1892	154,800	84,082	183	18.80	1906	283,500	225,494	125	43.30
1893	139,770	76,255	183	17.30	1907	297,126	249,612	119	45.23
1894	139,779	74,004	188	13.60					

EXHIBIT B.

UNITED STATES CIRCUIT COURT, SOUTHERN DISTRICT OF TEXAS, LAREDO DIVISION.

United States *v.* C. G. Brewster. No. C. L. 27 (suit 1061).

Burns, district judge: This is an appeal in the nature of a petition to review the action of the Board of General Appraisers in holding the several importations in question subject to duty under paragraph 181 of the tariff act of July, 1897. Said paragraph is as follows:

Lead-bearing ore of all kinds, one and one-half cents per pound on the lead contained therein.

The counsel for the importer concedes that this assessment is correct; and whilst the action of the collector of customs in so assessing duty was embraced in the original protests, it was abandoned upon the hearing and therefore is not at issue here. The appellant, in its petition, complains of the action of the collector in assessing an additional duty of 20 per cent ad valorem under paragraph 183 on the value of the zinc contents. The importations involved in the several protests consist of zinc ore; and the importer in his protests claims the same to be free of duty under paragraphs 514, 614, 629, or, in the alternative, that, in the event the same is subject to duty, only the lead contents thereof are dutiable at the rate of 1½ cents per pound.

In so far as the specific duty is concerned, the question presents no difficulty; the language clearly and specifically provides that the lead contents shall be subject to duty at the rate assessed by the collector. Besides, as suggested, this feature has been eliminated by the counsel for the respondent, and is therefore not a subject for further inquiry.

The single question here presented is, Are the ores free of duty under paragraphs 514, 614, or subject to duty at the rate of 20 per cent ad valorem under paragraph 183? If the latter provision does not apply, it follows that the General Board is not in error in holding the importations not subject to the ad valorem tax.

Digitized by Google

Paragraph 183 is as follows:

Metallic mineral substances in a crude state, and metals unwrought, not specially provided for in this act, twenty per centum ad valorem.

From the evidence in this case it appears that zinc as metal is not found in the ores involved herein, nor are they metallic mineral substances, and therefore not subject to duty under paragraph 183. This conclusion is reached from the entire record as an original proposition, and is supported by the opinion in the case of Hempstead *v.* Thomas. (122 Fed. Rep., 538.)

The court is of the opinion that the importations in question are free of duty under sections 514 and 614, and the contention of appellant can not be sustained that the latter section is without application by reason of the importations having been advanced in value by what is claimed as "a process of manufacture," said process consisting of eliminating the rock and dirt by hand and hammer in order to reduce the bulk and save the paying of freight charges upon useless and foreign matter; this contention would require a broad stretch of the imagination to designate the labor performed as "a process of manufacture."

The case cited, Hempstead *v.* Thomas (supra) is conclusive of the contention made by the appellant. It follows as a conclusion of law:

First. That the provision for lead-bearing ores in paragraph 181 under the facts in this case is conclusive, and that the importations are not subject to additional duty.

Second. That paragraph 183 is without application to the merchandise in question.

Third. That the ores are free under paragraphs 514 and 614 of the tariff act of 1897.

The petition for review disclosing no error, the findings of the Board of General Appraisers should be in all things affirmed, and the decree will so provide, with directions to the collector of customs to liquidate the entries in accordance with this holding.

EXHIBIT C.

IOLA, KANS., *December 2, 1908.*

SERENO E. PAYNE, M. C.,
Chairman Committee on Ways and Means,
Washington, D. C.

DEAR SIR: I have read over copy of argument submitted by Mr. A. B. Cockerill. In connection with duties on zinc ore, I wish to state that I concur entirely with the opinions he expressed. During the month of September we did not operate any of our plants. During the month of October and part of November we operated but 4 out of our 30 furnaces. We are now operating but 6 out of our 30 furnaces. All this is due entirely to the difficulty in securing ore.

I firmly believe that the users of spelter, the manufacturers of spelter, and all employed by them will be greatly injured by the placing of duties on zinc ores. I do not believe that the United States miners will be benefited except temporarily by the imposition of such a duty. We need more ore than we can secure in the United States to enable us to compete with the European smelters in supplying the United States demand for the material. If we are unable to go out-

Digitized by Google

side of this country for our ore, many of us will be forced to close down, and the users of spelter must buy in the European market. As it is, the zinc-smelting business in this country is in very sick shape and can ill afford a blow such as the placing of a tariff on the raw material at this time.

Yours, very truly, J. O. RODGERS,
President and General Manager.

A. B. COCKERILL, NEVADA, MO., FILES SUPPLEMENTAL STATEMENT IN OPPOSITION TO DUTY ON ZINC ORE.

NEVADA, MO., *November 27, 1908.*

Hon. CHAMP CLARK, M. C.,
House of Representatives, Washington, D. C.

MY DEAR SIR: I am sending you by mail to-day several copies of my brief protesting against the imposition of a duty on zinc ore into the United States.

After hearing Mr. Ihlsing last Wednesday, I concluded that it was not necessary for us to bother the committee with our presence, and decided to merely send in our briefs, giving the facts in the case.

In addition to this brief, which explains itself, I want to impress upon your mind (as you are, I believe, as I am, in favor of a tariff for revenue only) the following facts:

First. Mr. Ihlsing, who poses as a miner in the Joplin district, has earned his living several years as the buyer for the Veille Montaigne Works, of Belgium, the largest zinc manufacturers in the world. If he can help the Joplin people in getting a duty on our raw material, he can buy this raw material and ship to Belgium, as he was doing before we took it away from him.

Second. The duty that they are asking (1 cent a pound) means $20 per ton, which is more than the average price that we have paid for the Mexican ore f. o. b. our works that has been shipped during the past three years.

This duty would of course therefore be prohibitive, and Mr. Ihlsing should have so stated in replying to the questions propounded him (by yourself or Mr. Corcoran, I forget which) when he was asked whether or not the duty asked for was high enough to be prohibitive.

Third. It costs as much to put a ton of this low-grade Mexican ore into spelter as it does to smelt a ton of high-grade Joplin ore. From the former we get about 600 pounds of metal out of a ton and from the latter about 1,000 pounds. It is consequently a difficult matter for the smelter to state what the labor cost per ton of metal is, as it takes the same amount of labor to make 600 pounds of metal out of the Mexican ore that it takes to make 1,000 pounds of metal out of the Joplin ore. We usually, therefore, base our cost, either for the purpose of comparison or for other reasons, on the ton-of-ore-treated basis instead of the ton-of-metal-manufactured basis.

The facts in this ore-duty controversy are so plain, and the claim by the Joplin producers that the duty is needed is so preposterous, that I can not believe a single member of the Committee on Ways and Means, no matter how strong a protectionist, can favor putting a duty on foreign ores.

Yours, truly, A. B. COCKERILL.

Digitized by Google

A. B. COCKERILL, NEVADA, MO., FILES AN ADDITIONAL STATEMENT RELATIVE TO PROPOSITION OF JOPLIN MINE OPERATORS TO PLACE A DUTY ON ZINC ORE.

NEVADA, MO., *December 14, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
Washington, D. C.

MY DEAR SIR: With reference to the request of the Joplin mine operators that a tariff be placed on zinc-ore importations from Mexico, I see by looking over the brief, as filed by Mr. S. Duffield Mitchell, a number of glaring misstatements made, and the purpose of this letter is to call your attention to the same.

Mr. Mitchell claims that $18 per ton for 40 per cent ore is equivalent to $27 per ton for 60 per cent ore. This is a glaring misstatement, and Mr. Mitchell should know it. I inclose herewith a page of the Joplin Daily Globe of December 10, from which you will see that while the price of 60 per cent ore was from $43.50 to $44 per ton this week, the price of 40 per cent ore was from $18 to $21. The fact is (and Mr. Mitchell knows it) the variation allowed for each unit of zinc since ore has been purchased by assay has always been $1 per ton. That is to say, if 60 per cent ore brought $43 per ton, 50 per cent ore would bring $33 per ton, and 40 per cent ore $23 per ton. I defy Mr. Mitchell to show from the files of the Joplin papers a single instance where the difference between the price of 60 per cent and 40 per cent ore has not been approximately as herein stated. The reason for this is that it costs just as much to smelt a ton of 40 per cent ore as it costs to smelt a ton of 60 per cent ore.

Mr. Mitchell in his argument draws his conclusions from the erroneous premise that it takes 1½ tons of Mexican ore to equal 1 ton of Joplin ore, entirely ignoring the fact that the cost of smelting a ton of 30 per cent ore is the same as the cost of smelting a ton of 60 per cent ore. I will be glad to furnish your committee a copy of contract made by this company with a mining company in Joplin, of which Mr. Charles T. Orr, the present president of the Joplin Tariff Club, was the manager, one clause of which reads as follows:

PRICES OF THE ORE.

The Cockerill Zinc Company agrees to pay to H. F. McFarland, for the mines above mentioned, for ores produced by them $43 per ton for 60 per cent blende when spelter is quoted at $6 per hundredweight at St. Louis; and for each unit of zinc or fractional part thereof above 60 per cent $1 per ton additional. And fractions of unit of zinc to be paid for in the same proportion. And for each unit of zinc below 60 per cent $1 per ton will be deducted. Fractional units below 60 per cent to be reduced in the same proportion.

According to this contract 40 per cent ore would have brought $23 when 60 per cent ore brought $43, and if the price of spelter had declined to 5.20, 60 per cent would have been worth $39 and 40 per cent ore $19 per ton. Is there any excuse, therefore, for Mr. Mitchell to claim that when 40 per cent ore would be worth $18, 60 per cent ore would be worth only $27 per ton?

Again, I will be glad to furnish your committee a copy of a contract which this company made with a Mexican concern on February 16,

Digitized by Google

1907, covering the monthly shipment of 500 tons for a year of Mexican calamine, one clause of which reads as follows:

Third. Mr. Robertson agrees to pay for these ores as follows: Per ton of 2,000 pounds delivered f. o. b. works, Altoona, Kans., when spelter is quoted at $6 per 100 pounds in St. Louis, Mo., $24 on basis of 40 per cent zinc. For each variation of 1 cent above or below $6 the sum of 5 cents will be added or deducted to the price per ton. For each per cent of zinc over or under 40 the sum of $1 will be added or deducted to the price per ton.

Under this contract we were paying $24 per ton for 40 per cent ore at the same time that we were under the Joplin contract paying $44 for 60 per cent f. o. b. smelter (the Mexican contract price being based on works' delivery and the Joplin contract on Joplin delivery, the freight from Joplin to smelters being $1 per ton).

Mr. Mitchell in his argument claims that Mexican ore can be laid down at the Kansas smelters at $11.82 per ton actual cost for 40 per cent ore. I will be glad to submit to this committee receipted bills, or other correspondence, showing that we are paying $21 per ton now for this grade of ore, and have been paying it for six months or more, and yet more than half of our furnaces are closed down and our men idle because of our inability to get the ore necessary for their operation.

Mr. Ihlseng states that a majority of the smelters are much in favor of a tariff. This is a gross misstatement. All of the smelters in the United States are opposed to any duty on zinc ore with the exception of four concerns. Two of these concerns are very largely interested in mines in the Joplin and Wisconsin districts, and are taking neither side in this tariff matter, the other two concerns being acid manufacturers and the only manufacturers of sheet zinc in the United States. These latter two would not, I understand, object to a moderate tariff on Mexican ore, as they have never used and do not expect to use any of it, for the reason that it is not suitable for making acid, as is the Joplin "jack." In fact, the four concerns mentioned have probably used less than 5,000 tons of the 280,000 tons of Mexican ores imported during the past four years.

Mr. Ihlseng's claim on page 1803 that the United States is capable of producing all the ore required by the smelters is not sustained by his own figures. It takes 55 pounds of raw ore to charge a retort. This means 2,410 tons per day to charge the 87,646 retorts now built, or 879,650 tons per year. The total production of ore in the United States in 1907 was 902,923 tons, of which 368,710 tons were mined in New Jersey, and only 25,000 tons of which went into the manufacture of spelter.

Deducting, therefore, 343,710 tons which went into oxide or were exported for special purposes, we have 559,213 tons, or more than 300,000 tons less than needed. Granted that we run only 80 per cent of our capacity in 1909, we will still need 703,720 tons, and will be obliged to import more than 150,000 tons.

Having already submitted a brief to your committee, I feel that I must ask your pardon for imposing further on your valuable time, but believing that the members of your committee are anxious to know the true conditions of this industry I have felt constrained to refute these false statements.

Yours, truly, A. B. COCKERILL.

Digitized by Google

A. B. COCKERILL, OF NEVADA, MO., MAKES CORRECTION IN HIS STATEMENT RELATIVE TO AXEL O. IHLSENG.

NEVADA, MO., *December 16, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
Washington, D. C.

MY DEAR SIR: I have a letter from Mr. A. O. Ihlseng taking exceptions to the statement made in my brief intimating that he is the buyer for the Vielle Montaigne Company, of Belgium, and having no desire to misrepresent Mr. Ihlseng in any way, I write to explain to you and the committee that my reason for making this remark was that at the time this company first commenced buying ore in British Columbia and Mexico Mr. Ihlseng was buying and shipping ore to this company, and continued to do so until the prices we paid were higher than the prices that the Vielle Montaigne Company was able to pay.

Whether Mr. Ihlseng is or is not the buyer of the Vielle Montaigne Company cuts no figure, I presume, in this controversy, but it has not been my intention to misrepresent his position; hence this explanation.

Yours, truly, A. B. COCKERILL.

AXEL O. IHLSENG, JOPLIN, MO., FILES SUPPLEMENTAL BRIEF IN ADVOCACY OF PLACING A DUTY ON ZINC ORE.

JOPLIN, MO., *December 17, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.

DEAR SIR: At the time of the recent hearings on the question of placing a duty on zinc ores, before your committee on November 25, I was requested to be at hand after the interests opposed to the levying of this duty were heard, so that such questions might be asked by you as would fully explain any conflicting statements that might have been brought out by those interests opposed to the placing of a duty on zinc ore, and to bring out such additional information as might be of service to the committee in considering the necessity of a duty to protect this industry.

The Cockerill Zinc Company, in the brief submitted by its president, Mr. Cockerill, states that all the zinc smelters in the United States are opposed to the levying of a duty on zinc ores. Presuming this statement to be true, in replying to Mr. Cockerill's statements I must consider that I am replying to the entire zinc-smelting industry.

The committee will bear in mind that every product made from zinc ore by the zinc smelters has been protected by a duty under the present tariff act and the smelters now enjoying the benefits of protection are desirous of increasing their profits by buying their zinc ore in a low-priced foreign market. That is the keynote of their opposition.

While it may be true that all the smelters would be very well satisfied to be able to buy zinc ores from foreign sources at low prices

Digitized by Google

and thus bear down the price of zinc ores in the United States, I do not believe that any of the zinc-smelting interests producing zinc oxide or zinc sheets, which are protected under our present tariff, would be willing to commit themselves by indorsing unqualifiedly the statement made by Mr. Cockerill, that free ores are essential to the success of their manufacturing plants.

The zinc-smelting industry in the United States has grown to very great proportions in the last six years, not alone due to the demand for spelter, but primarily due to the fact that there was an enormous profit in the zinc-smelting business. The smelters have enjoyed the benefits of a protective tariff in which they have not proposed that the miners of zinc ore should share, nor do they propose to permit the mining interests to participate to an equal or any degree in the benefits to be derived from a protective duty which they enjoy, if Mr. Cockerill's statements are true.

The contention is that zinc ore is raw material, and therefore should be admitted free to enable a few laborers to be employed in the smelting business and the smelter make enormous profits.

For a time in 1905-1907 the margin in the cost of producing spelter was $20. A legitimate price for smelting under fair conditions is $13 per ton of ore. This shows an extraordinary profit of $7, in addition to the normal profits of the smelting industry.

With these large profits in prospect, general business activity great, and every indication of a continuance of the prosperous times, there was a great increase in the zinc-smelting capacity in the United States. In 1905 the total smelting capacity in the United States was 63,290 retorts. In 1906 this had increased to 67,750 retorts by additions made as follows: Caney Zinc Company, 300 retorts, at Caney, Kans.; Cockerill Zinc Company, 3 blocks of 670 retorts, at Pittsburg, Kans.; Matthieson & Hegeler Zinc Company, 300 retorts; Illinois Zinc Company, 40 retorts; United States Zinc and Chemical Company, 2 furnaces, 480 retorts; Sandoval Zinc Company, 2 furnaces; and New Jersey Zinc Company, 6 furnaces, 1,200 retorts.

In 1907, with the increased profits apparent in the zinc-smelting business, the capacity of the zinc smelters was further increased by 19,748 retorts, as follows: Mineral Paint Zinc Company, Depue, Ill., 4,800 retorts; Hegeler Brothers Zinc Company, Danville, Ill., 1,700 retorts; United States Zinc and Chemical Company, Springfield, Ill., 640 retorts; American Zinc Lead Smelting Company, Deering, Kans., 3,840 retorts; Bartlesville Zinc Company, Bartlesville, Okla., 3,456 retorts; Lanyon Starr Zinc Company, Bartlesville, Okla., 2,880 retorts; National Zinc Company, Bartlesville, Okla., 2,432 retorts.

It will thus be seen that the zinc-smelting capacity in the United States increased in 1906 about 7 per cent over 1905, and a further increase of the enormous amount of 31 per cent during the year 1907, and it is for the profit of this enormous increase in the smelting capacity that it is asked that the mining industry suffer the competition of free ore and an industry built up by patience and energy should be destroyed to satisfy the greed for higher profits to the zinc smelter.

Mr. Cockerill states his company has six smelting works. That is true, but of these three old rehabilitated coal-fired works, abandoned for some time and reequipped when the profits of smelting became so great that any sort of a zinc-smelting plant would pay a handsome profit. During the years 1905-1907 these coal-fired plants

Digitized by Google

were put in operation at a time of a wide margin of profit between zinc ore and metal. In times when competition is keen and the margin small these works could not compete with the better-equipped and up-to-date gas-fired plants. It is such works as these that Mr. Cockerill wants to operate at the expense of a mining industry that has already felt at his hands the force of absolute control. In 1906 Mr. Cockerill formed the Cherokee-Lanyon Zinc Company, a consolidation of practically all the zinc-smelting plants of the Kansas-Missouri district, composed as follows: The Cherokee Smelting and Refining Company, at Cherokee, Kans.; Robt. Lanyon & Co., at Pittsburg, Kans., and Nevada, Mo.; Pittsburg and St. Louis Company, at Pittsburg, Kans.; Scammon Zinc Company, at Scammon, Kans.; Cherokee Zinc Company, at Pittsburg and Weir City, Kans. Leased also: Girard Zinc Company, at Girard, Kans.; Kansas Zinc Manufacturing and Smelting Company, at Girard, Kans.; Rich Hill Manufacturing and Smelting Company, at Rich Hill, Mo. The effect of this consolidation on the district was shown by an absolute control of the ore market.

The only other local purchasers of any note for zinc ore were the sheet-zinc smelters, who were always able to secure their quota of ore, due to their product being turned into sheets and saving their by-product, which enabled them to pay just enough more than the consolidated concern for choice ore to secure their needed supply.

It was during this period that I bought zinc ore in the open market as a competitor, realizing that a lowering of the price meant an absolute shut down of my own and other mines. I found a market for zinc ore in Europe, which had the effect of advancing the selling price of zinc ore in this market materially, and, what was of far greater importance, effectually prevented a lowering of prices. This competition was the only real wholesome competition the district has seen. Its beneficial effects were clearly seen at the end of 1898 and the early part of 1899, when prices advanced from $27 to $55 per ton, and remaining high until the possibility of European shipments was eliminated. To show the control had by the smelters of the situation at the end of 1898, Mr. Lanyon said on December 23 that the price for ore (which had declined from $40 to $27) was now satisfactory to the smelters, and that there was no opportunity for shipment abroad, so that competition was not possible. It illustrates how thoroughly in control the combination was of the market, and also how ignorant of European conditions, for within one week shipments were commenced to Europe by me. The market immediately advanced by leaps and bounds, until in March zinc ore sold at $55 per ton, just double in value, in three months.

As explained on the witness stand on November 25, it is evident that the tariff of 1897 was intended to cover zinc ores, since they were not specifically mentioned, except as under calamine, paragraph 514, under the belief that the duty on metal acted as the necessary protection.

The chief ore of zinc in the United States is blend or sulphide of zinc, which has no reference in this tariff act. Taking into consideration the usual practice of mining and smelting of other metals, it was undoubtedly presumed by the committee that by placing a tariff on metal and its manufactured products that this protection would extend to all parts of the industry up to and including the produc-

Digitized by Google

tion of the manufactured product. By placing a duty in this manner such a distribution would naturally result that the labor involved in the various stages from the ore in place in the ground to the resultant manufactured product would be protected against any competition by foreign labor. The duty placed on these manufactured products was undoubtedly placed thereon so that the smelters could be able to run at a profit, and the smelters and producers of the ore alike would have sufficient protection to equalize the difference between foreign and American costs of production.

With our enormous supplies of fuel, our natural gas, and many other natural conditions which exist in this country, the zinc smelters in the United States are able to produce metal for practically the same cost as the European smelters. The greater efficiency of our labor and the low cost of fuel more than compensate for the low labor cost and the excessively high prices for fuel abroad. I cite again in this connection my figures included in a previous report as to the labor cost involved in producing a ton of zinc ore in the Joplin district, and also the labor cost from this ore to the manufactured product.

TABLE A.

Comparative cost of production per ton.

In mines producing oxidized ore:	
In Mexico—	
Labor	$1.50
Incidentals	1.00
	2.50
In United States—	
Labor	6.00
Incidentals	5.00
	11.00
In mines producing blends:	
In Mexico—	
Labor	3.50
Milling and incidentals	2.50
	6.00
In United States—	
Labor	17.50
General expense	15.50
	33.00

In the Joplin district the cost of producing a ton of concentrates from 3½ per cent ore, with due allowance for amortization, royalty, etc., is as follows:

Mining and general expenses	$33
Amortization, etc., 25 cents per ton rock	10
Total cost	43

Digitized by Google

TABLE B.

Proportionate labor costs producing ore and metal.

Zinc oxide smelters:	
Cost producing ton oxide	$8
Cost in producing 3 tons of oxidized ore to produce ton of oxide in Wisconsin district	18
Total involved in producing 1 ton oxide	26
Spelter:	
Cost maximum on 1 ton spelter	12
Cost produce Joplin ore to make 1 ton spelter, 1 ton ore producing 1,050 pounds spelter	34
	46
Sheet zinc:	
Cost producing 1 ton sheets	$20
Cost produce Joplin ore to make 1 ton sheet zinc	34
	54

You will note that the great labor cost is in the production of the ore itself. The labor cost of producing ore sufficient to make a ton of metal is about $34, and in addition thereto there is a cost for general expense, supplies, fuel, etc., of $30, making a total cost of $64 for the ore to produce a ton of metal. As against this expenditure you will note that in the production of spelter the total cost is about $24 per ton from blends.

The smelting interests, as represented by Mr. Cockerill, are continually quoting from Mr. William R. Ingalls and similar editorial writings from various sources in the trade journals in which the metal industries are advertisers and large supporters, and in which the mining interests have no part whatever, except as news items. I quote from an editorial in the Engineering and Mining Journal of January 6, 1906, which is made a part of the brief Mr. Cockerill filed with you, as follows: "Indeed if it had not been for the prominence which the zinc ore of Colorado and other Western States has assumed in the market there is no doubt that disaster would have overtaken the American zinc industry." This statement, that disaster would overtake the zinc industry, is a perfect absurdity. The zinc industry is a commercial proposition. It is operated on absolutely safe lines. The ore is purchased at a fixed price. Each smelting plant knows the actual cost of smelting, with due allowance for amortization. The profit depends on the difference between the smelting cost and the price of ore.

TABLE C.

Margin between ton ore and metal produced from 1 ton ore in 1907.

Month.	Spelter.	Ore.	Margin.
January	$67.14	$46.90	$20.24
February	67.77	48.30	19.67
March	68.21	49.75	18.46
April	66.66	49.25	17.41
May	64.17	46.90	17.27
June	63.94	47.00	16.94
July	60.40	46.80	13.60
August	56.62	44.56	12.06
September	51.88	41.00	10.88
October	53.86	41.75	12.11
November	48.71	38.60	10.11
December	41.86	31.50	10.36

Digitized by Google

In times of great business activity and high prices there are large profits. In times of stress the profits are reduced. According to the best authorities, the actual cost of smelting zinc blends of the Joplin district is from $8.50 to $10 per ton. The present margin for smelting is about $10 per ton of ore.

Mr. Cockerill admits that the cost of zinc smelting in the United States is the same as in Europe and attempts to show by a table that the prices paid for ore in the Joplin district in 1908 by the American smelters were higher than on the basis of the European formula. He has taken purely arbitrary figures, based on the present high smelting charge in Europe, due to the combination of the smelters and the abundance of ores. No explanation is made as to deductions made by the United States smelters (simply because they can do so) for iron and lead. According to a fair smelting charge that obtains to-day abroad—and comparing the prices paid in Joplin on the dates quoted—the results would be as follows:

TABLE D.

Date.	Price St. Louis spelter per pound.	Sixty per cent ore on European formula.	Joplin base price 60 per cent ore.
1908.	*Cents.*		
July 11	4.2875	$31.60	$35.00
July 25	4.375	32.50	34.00
August 22	4.525	34.00	37.00
September 5	4.575	34.50	37.00
September 26	4.625	35.00	37.50
October 3	4.625	35.00	38.00

These prices are those paid by the Cockerill Zinc Company. From this price must be deducted $1 per unit of iron in excess of 1 per cent and the same for lead. As the vast majority of Joplin ores carry from 1 to 3 per cent of iron and some lead, the deductions made reduce the price of Joplin ore from $1 to $3 below the price quoted.

These deductions are purely arbitrary, as well-constructed smelters abroad make no deduction for ordinary amounts of iron up to 8 per cent, nor do they make deductions for lead up to 3 per cent.

This makes the net price of Joplin zinc ore exactly the same as the European formula. On this formula European smelters make a good profit. It must be apparent therefore that when the Cockerill Zinc Company admits equal cost of smelting here and abroad that the American smelters are making a profit. It disposes of the claim, too, that he or any other American smelter is paying more for zinc ore than the price at which a European smelter makes a profit.

By a close inspection of Table C, which gives the margin for smelting, it is readily seen that in January, 1907, the zinc-smelting industry was enjoying a high profit on smelting zinc ores and had been enjoying this excellent profit for more than a year prior. This high profit was the cause of the great increase in the zinc-smelting capacity of 31 per cent, as noted in the first part of this brief. It shows conclusively, too, that zinc smelting is a commercial proposition which has on the average of many years shown a heavy return.

Digitized by Google

Mr. Cockerill refers to the advance in ore since 1881. That the smelters in the early nineties did not run for patriotic purposes is evidenced by the statement made to me by the ore buyer for the Lanyons that the smelter at Nevada, Mo., built by the Lanyons cost $50,000 and cleared in profit the first year $55,000. The zinc-smelting industry has not suffered for any length of time due to high prices paid for zinc ore.

It must be evident to you that the actual certainties of a business proposition must not be confused with the operation of mining enterprises involving considerable uncertainty. No mines, except such as are owned by the New Jersey Zinc Company, can be relied on for profitable operation any length of time. The character and grade of the ore bodies change, and may play out altogether. These are the chances that operators must take in producing the ore. With this uncertainty it is absolutely essential that the mining industry be protected and sufficient duty placed on its products to enable it to produce the ore and sell at such price as would compensate for investment as well as pay the rate of wages that is common in the United States. It must therefore be clear to you that the duty which was imposed on all zinc products was intended to cover the difference in the labor cost in opening and developing mines as well as the labor involved in smelting. From the figures given above it is shown that the smelters are not the ones that need the protection. That the duty as levied on the metal must essentially be placed on the ore is shown from the fact that the manufacturers converting this ore into metal and other articles do not require as much protection as the producers of the ore itself. The levying of a duty on zinc ore equal to the duty on the metal itself gives the ore the proper protection from competition from low-priced labor, and in no way does it affect the smelting interests beyond preventing them from destroying our business by going elsewhere to buy their ores cheaply and obtaining for this foreign ore and for their own profit the benefits of protection given under the tariff act to metal.

It was not the intention of the makers of this tariff act of 1897 to place a duty on a product with the intention of enabling foreign low-priced labor to sell their goods at a price fixed by our protective laws.

The smelters in the United States buying ore from Mexico purchase it on the basis of St. Louis quotations for metal, but in fixing this price consider the possibilities of European competition and pay for the ore just sufficient to secure it from this competition. The duty on spelter in the United States enables them in this way to make a wide margin of profit, or, as Mr. Cockerill stated before the engineer society in Joplin last June, "I am buying ore in Mexico because I can buy it cheaper." This attitude of Mr. Cockerill explains fully the position of all these smelters who are only producing metal and not making by-products or manufactured goods.

Again, these smelting concerns in the United States making oxides of zinc, particularly the New Jersey Zinc Company and its subsidiary plants, are heavy purchasers of very low-grade zinc ore in Mexico; such ore is too low for producing spelter. These low-grade ores are bought on the St. Louis quotations at a low price, and will assay from 25 to 35 per cent zinc. These ores are being brought in practically free of duty, and produce on the average 500 pounds of zinc oxide from each ton, at a cost not exceeding $4.50 for treatment.

Digitized by Google

Oxide of zinc is protected under Schedule A, section 57, at 1 cent per pound.

It is asserted by Mr. Cockerill and other smelting interests that it is impossible for the United States to produce sufficient ore to produce the spelter required. This statement is not borne out by facts, except at such times as the price for all commodities is high on account of the great demand. It is during such times as these that there is great activity in the smelting business, that new works are being built, and the capacity of the smelting business is increased very largely. In times of depression the market becomes stagnant. A general recession in business activity necessarily results in curtailment in the demand for particuar products and a consequent decline in prices. On this curtailment of demand some smelters must shut down. Those not well managed must close first and others must reduce their output.

In 1907 when the general depression swept the country the smelting capacity was far greater than the demand of the spelter market. And, further, the ore supply decreased, owing to the drop in prices. Mine after mine closed down, being unable to meet the low price except at a great loss, until the output became so small that it was necessary for the smelters to advance the price to secure the ore required for their purposes. And now, during this depression the zinc smelters ask that ore be kept on the free list so that they can go to Mexico and obtain their supply at a lower price and greater profit to themselves and force the producers of zinc ore in this district to either close their mines or reduce their wages. One or the other must take place. If the smelters can obtain a free supply of ore from Mexico, it is only a question of a few years when the production of Mexico will be so large that the price paid there will control the market in the United States, and under such conditions we must accept for our ore such proportionate prices as are paid for Mexican ores. We all know as a commercial proposition that the price of a commodity in any market is fixed by the selling price in the cheapest market of large supply.

With such a large supply of ore as is found in Mexico it is evident that this district must meet this competition, which must result in the lowering of wages and a general decrease in product until the industry is practically destroyed.

That this district is fully capable of furnishing its proportionate share of increase year in and year out is borne out by the statistics, and also by the statement of Mr. Ingalls, whom Mr. Cockerill constantly refers to as his authority.

By reference to the Mineral Industry for 1907, on page 903, I quote from Mr. Ingalls as follows: "In spite of the steady decline in spelter and ore during the second half of 1907 and the financial catastrophe of October, the production of ore in the Joplin district and in the Wisconsin field showed considerable increase. What might have happened if it had not been for the setback is manifested by the statistics for the first six months of 1907, which show shipments of 158,000 tons from the Joplin district and 25,000 tons from Wisconsin." On page 899, in the same volume, Mr. Ingalls states that the output of Wisconsin is steadily increasing.

It requires one year at least to put in producing condition a zinc mine in the Joplin district after the prospecting has been done to

locate the ore. The good prices for ore in 1905 and 1906 stimulated prospecting, and this resulted in the increased production of the first six months of 1907 to 158,000 tons ore. New mines were becoming producers when the financial catastrophe of October, 1907, spread over the country. This resulted in the closing down of mines and reduction of the output. It arrested prospecting and new mining operations just at the time this district was beginning to show its possibilities of production, and I agree with Mr. Ingalls when he intimates that with continued prosperity the Joplin district would have made a surprising production.

Another source of ore supply outside of the Joplin and Wisconsin districts lies in the western silver-lead mining regions. Zinc ore occurs mixed with lead ores, and so mixed that it is a detriment. Lead ores carrying zinc when sold to smelters suffer a penalty for the zinc contents. The zinc blend is intimately mixed with the lead, and is difficult of separation without mechanical appliances. A large concentrating plant, such as is required to handle the mixed ores of the silver-lead regions, is expensive. As a general proposition the ores are low in grade, and even with such separation of the zinc from the lead, the lead alone with its silver contents is not sufficient in most cases to pay for the cost of separation.

This separation is not a profitable proposition unless the product of zinc so obtained is salable, and salable at such a price as will pay the high freight rates common to the western mountain regions.

All mining engineers will testify to the fact of the abundance of these mixed ores throughout the entire West. Colorado has become a large producer of these ores, and even the remote regions of Colorado have added their quota to the production of the last few years.

The San Juan region is noted for its large zinc supply, which requires good prices for the mines to operate. Throughout the western regions wages are paid at the rate of three to four dollars per day for miners, a price which it is impossible to pay and compete with Mexican labor.

To show the possibilities of these silver-lead regions the growth of the industry in Leadville is the best example. In 1898, when zinc ore was selling for $27 in the Joplin district, Leadville was a comparatively quiet mining camp and looked upon as an exhausted camp. Six months later, when ore in the Joplin district was selling for $50, Leadville discovered the value of its zinc deposits and took on renewed life. The production has increased steadily. In 1904 Colorado produced 94,000 tons; in 1905, 105,500 tons; in 1906, 114,000 tons; and in 1907 Colorado produced 142,500 tons of ore, and made Leadville a live, active mining city, with a great future before it, on account of the availability of these enormous supplies of zinc ore in the second and third contact.

Such mines as the Silver Ledge in the San Juan region of Colorado, of little value as producers of silver-lead ores alone, are now working at a profit with the demand for zinc ores. It is such camps as these that well illustrate the possibilities of the entire western mining country as a zinc-ore producer.

I beg further to call your attention to a statement made by one of the officials of the New Jersey Zinc Company, that the ore supply of the mine belonging to that company in New Jersey was sufficient to keep up the present production for sixty years.

Digitized by Google

By reference to the Mineral Industry it will be noted that every State in the West has become more or less zinc producers.

Mr. Cockerill states in his brief that there was a shortage of zinc ore. I beg to refer you to the exports of zinc ore, zinc oxide, and spelter.

TABLE E.—*Exports.*

	Zinc ore.	Zinc oxide.	Spelter.
	Tons.	*Tons.*	*Tons.*
1896	2,324	.....	10,150
1897	9,251	1,859	14,245
1898	11,782	3,925	10,499
1899	28,311	5,343	6,755
1900	42,062	5,656	22,411
1901	44,146	4,561	3,390
1902	55,733	5,368	3,237
1903	39,411	7,215	1,521
1904	35,911	8,157	10,073
1905	30,946	11,280	5,576
1906	27,720	15,578	4,670
1907	20,352	13,256	563

Taking the exports during the year 1906, which is the year quoted in which Mr. Cockerill states that 89,000 tons of ore were imported from Mexico and elsewhere, we find from Table E the exports were as follows, showing the exports equal to the imports of ore in 1906:

	Tons.
Zinc ore	27,720
Zinc oxide, 15,578 tons, equivalent to Mexican ore	44,500
Spelter, 4,670 tons, equivalent to Mexican ore	15,500
Total	87,720

This completely and absolutely refutes his statement that there would have been a shortage of metal in 1906 unless the zinc smelters had obtained their Mexican supply, and proves conclusively that under active conditions the mines in the United States were able to supply in that year all the ore necessary for American consumption of oxide and metal.

I therefore call your attention to the fact that there was no apparent shortage of ore, and, further, that the increased output from the Joplin district, Wisconsin, and Colorado was giving every practical proof that the mines were rising to the demands of the American metal market.

As to the absolute necessity of a duty on zinc ore, so that the mining industries of the United States should be properly protected from importations, I beg to again refer to Mr. Cockerill's favorite author, Mr. W. R. Ingalls, to refute Mr. Cockerill's own statement. On page 916, Mineral Industry, 1907, after a discussion of the vast supplies of ore which have come to the front in Australia, Japan, and other places, he states:

> The plethora of raw material in Mexico, Australia, and other sources has an important effect upon the world's market for spelter, for it has cut off all hope that the United States will become any exporter of spelter; on the contrary, it is to be feared that more frequently than usual the price of spelter in the United States will have to be reduced in order to prevent importations, in spite of the protective tariff of 1½ cents per pound.

Digitized by Google

You will note that it is feared that spelter must come down to prevent importations; and if there is no duty on ore the zinc industry will be menaced by both free ore and importations of metal, a condition which would paralyze the industry of this section and destroy the entire zinc-mining industry of the Western States. How this supply of free ore would affect the smelters is evidenced by the new convention of German smelters recently organized to regulate the price of metal in Europe. According to the terms of this convention, the product of German spelter is to be sold through the three great metal houses of Germany, viz, the Metalgesellschaft, of Frankfort; Beer, Sondheimer & Co.; and Aron Hirsh & Son. It is expected that this convention will extend to other zinc-producing countries of Europe. I beg to call your attention to the fact that all three of these firms are interested in the zinc-smelting industries of the United States. Beer, Sondheimer & Co. are interested in zinc-smelting plant at Bartlesville, Okla.; the Metalgesellschaft Company are interested with the American Metal Company; and Aron Hirsh & Son have interests in the zinc smelting of the United States through their agents here.

This abundance of the world's supply of ore referred to permits combination or an agreement of the smelters to regulate price and make a high charge for treatment. This has taken place in Europe, and would be repeated here if zinc ore was permitted free entry into the United States.

The contention of those opposed to the levy of a duty on zinc ores fall, since the statistics given prove conclusively that the cost of production of zinc ores is so great that it is impossible to compete with foreign ores; further that the evidence given herein shows that the zinc mines of the United States can produce all the ore required by the smelters for the domestic consumption of metal and that the production of ores is increasing with the demand as long as the zinc smelters pay fair prices for the ore.

To conclude, I call the committee's attention to—

(1) The labor cost in producing zinc ores.

(2) The comparative cost of smelting.

(3) The increase in the supplies of zinc ores in the United States to meet the demands of this country.

(4) The abundance of foreign ore supplies.

(5) The possibilities of decline in spelter prices due to these abundant supplies of foreign ore to prevent importations of metal in spite of the duty of 1½ cents per pound on metal.

I ask, therefore, that on all importations of zinc-bearing ores a duty be assessed at the rate of 1½ cents per pound on the zinc contents.

Yours, truly,

AXEL O. IHLSENG,
Mining Engineer and General Manager
Oronogo Circle Mining Company.

Digitized by Google

STATEMENT OF MISSOURI-KANSAS ZINC-MINING DISTRICTS RELATIVE TO ZINC MINING, SUBMITTED BY AXEL O. IHLSENG.

WASHINGTON, D. C., *December 17, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The following statement of facts and argument in favor of a specific duty on all imported zinc ores is made in behalf of the zinc-mine operators and zinc miners of the Missouri-Kansas or Ozark district. This includes the areas of Jasper, Lawrence, and Newton counties, Mo.; southeastern Kansas, northeastern Oklahoma, and northwestern Arkansas.

The Joplin district folio, No. 148, issued by the United States Geological Survey in 1907, states that the Joplin district is of the average length from east to west about 27 miles, and the width from north to south is 17 miles, and that the area of the district is about 476 square miles. It is safe to say that all the other camps of the Ozark district in addition will more than double this area.

In 1850 lead ore was discovered at Granby, Newton County, Mo., and has been mined there since that date. Zinc ore was found with the lead ore, but was cast aside as valueless.

Missouri Geological Survey, Volume VI (published in 1894), at pages 7 and 8 of preface, declares that the mining of zinc ore in the Ozark district began about 1874; that the production grew rapidly from the beginning; that the total output then nearly equaled the combined total productions of all other States in the Union, amounting to about 1,200,000 tons of zinc ore, equivalent to nearly 500,000 tons of metal, of the value of $50,000,000. The annual production of zinc ore then was considerably over 100,000 tons.

In advance sheets from Volume X, Missouri Bureau of Geology and Mines, by Dr. E. R. Buckley, director and state geologist (published November 1, 1907), at page 3, it is said:

> The world's production of spelter in 1906 amounted to 775,871 tons; of this amount the United States produced 224,770 tons, or 29 per cent of the total. Of the total production in the United States the Ozark region, comprising parts of Missouri, Kansas, Arkansas, and Indian Territory, furnished 136,051 tons, or 60.6 per cent. Missouri alone produced 58 per cent, or nearly 17 per cent of the world's output.
>
> In 1906 the United States produced 347,695 tons of pig lead. During the same year the Ozark region produced 113,107 tons, or 32.5 per cent of the total; of this amount Missouri produced 111,075 tons, or 31.9 per cent.
>
> In the production of zinc Missouri ranks first; in the production of lead Missouri ranks second, being surpassed only by Idaho. In the combined production of lead and zinc the output of Missouri is greater than that of Idaho, the next State in production, by 123,733 tons. In other words, the combined output of lead and zinc from Missouri is more than double that of Idaho and nearly equals the combined output of Idaho, Colorado, and Utah, the three States ranking next to Missouri in production.
>
> In 1906 and 1907 there were in the neighborhood of 800 shafts being operated in the southwestern Missouri lead and zinc district.

At page 4 it is said:

> Not only does the Ozark region excel in the production of lead and zinc, but she also excels in quality of ores and metals produced therefrom. The zinc blende mined in this region hovers constantly about the 60 per cent mark, while the galena seldom assays less than 80 per cent metallic lead. Missouri soft pig lead is known the world over as being of superior quality.

Digitized by Google

But the advance statement of the United States Geological Survey for 1907 on "Production of lead," shows that the lead production of Missouri increased in 1907 over the 1906 production by 11,780 tons, and exceeded the 1907 Idaho production by 10,280 tons, thus placing Missouri in first place in point of lead production.

In the early days of zinc mining only the very rich "pockets" of ore were mined. It is of record that the Hatton lot (200 feet square) produced over $300,000 worth of lead and zinc ore. Half of two lots on the famous Victor Mining Company's land produced $275,000 worth of zinc ore. The Paxton land in Joplin, covering several lots, produced from 1877 to 1893, inclusive, $630,000 worth of ore, mainly lead. These, of course, were among the largest yields, but many others approximated them and a large number of properties have yielded at the rate of $100,000 per acre; and these returns are the more remarkable because they were made during the days of crude mining methods and very low ore prices. Thirty years ago the horse "hoister" raised the rich ore from these shallow "pockets" and hand jigs, operated by men, cleaned the ore and separated the zinc concentrates from the gangue.

As these shallow pockets became exhausted it was necessary to mine deeper than 50 to 75 feet; and with deeper mining was introduced the steam plant, with pumps and concentrating mills of 75 to 100 tons capacity per ten-hour shift. The average depth of mining during this period was about 150 feet.

During the past few years, with the gradual exhaustion of the deposits of very rich ore, the industry has come to depend largely for its supply of ore upon the leaner but more extensive and dependable "sheet ground" deposits. With the good prices for zinc concentrates prevalent during 1905 and 1906, the influence of which caused the development of many mines in these lean deposits, ore containing as little as 4 per cent zinc blende can be profitably mined.

The plant and equipment required for the economical mining and milling of these ores is large and elaborate. The mills and the surface plant to-day vary in capacity from 250 tons to 500 tons per ten-hour day and cost from $20,000 to $50,000, while ten years ago a 75 or 100 ton mill costing from $6,000 to $10,000 was the up-to-date structure. The cost of prospecting, sinking shafts, and developing the underground workings is usually about as much as the milling plant, bringing the cost of a mine, in condition to operate profitably, up to from $40,000 to $100,000.

With the most careful scrutiny of the results of prospecting and developing by experienced operators, many failures are recorded. The business is correspondingly hazardous; and as the life of the mines is short (five years at most) a very large percentage of profit must be derived for this short time to justify the risk and expense of such undertakings.

In proof of these facts we quote at some length from Mineral Resources of the United States, 1906, at page 470, which says of the Joplin, or southwest Missouri, district:

The increased production in 1906 was the result of several factors, primarily strong demand and high prices; secondarily, the development of new ore bodies, improvement in milling practice, a significant increase in mill capacity, and an extension of utilization of natural gas.

The expansion of productive ground in Missouri has been by proving extensive "sheet" deposits, especially in the Webb City, Oronogo, and Carter-

Digitized by Google

ville area; by discovering "sheet" deposits at greater depths than hitherto known; and by making a new deep record at Aurora by finding ore at 300 feet. Drilling has located many other new bodies, including important discoveries south and southeast of Joplin, in the Granby area. These newly proved deeper deposits have not been sufficiently explored as yet to determine their extent or richness. The main increase in production were by Alba-Neck City, which supplied about two-thirds of the total amount of gain in mining in Missouri, and by Oronogo, which contributed about one-sixth of that increase. Webb City and Carterville, in which the largest extension of productive ground was made, a little more than held their own, and Joplin fell off 1,740 tons.

These important discoveries and reserves have led to a notable increase in capacity and number of mills. Thus while a 100-ton mill was only recently regarded as the limit of capacity, now mills of 200 to 300 tons capacity are not uncommon, and the American Zinc, Lead and Smelting Company has four new 600-ton mills, and the Underwriters Land Company is operating a mill of 1,000 tons capacity (reported to be the largest zinc mill in the world), equipped with the most complete labor-saving devices and according to best modern milling practice. Larger, heavier, and improved milling machinery is being generally adopted. As a direct result of these milling improvements, a gain of from 5 to 7 per cent in extraction is reported.

These factors, together with increased utilization of natural gas, have brought about a significant decrease in cost. On the other hand, this gain has been nearly balanced by a considerable rise in the cost of labor and of certain supplies. Thus "drill runners" now receive $3 per eight hours, muckers $2.50 per eight hours, jig men $3.50 to $4 for ten hours, and surface laborers $2.50 for ten hours.

Based on the record of Dr. E. R. Buckley, above mentioned, we present the following tabulation of developed mining propositions in the three counties of Jasper, Lawrence, and Newton, Mo., for 1906 and 1907:

Mines equipped with power concentrating plants	530
Mines equipped with hand jigs	14
Tailing mills	4
Custom mills	4
Shafts in ore	102
Prospects; no concentrating plants	38

Including the mines of Kansas, Oklahoma, and Arkansas it is safe to say that there are in the entire Missouri-Kansas mining district over 600 mines equipped with power concentrating plants. These mines are not controlled or operated by a pool, trust, or combination. Probably over 90 per cent of them are owned by individual operators and distinct corporations.

Within thirty years this district has grown and developed through individual pluck and energy. It has always been essentially a "poor man's" country. There is no labor union among the miners of this district, nor is foreign labor employed. The miners and laborers of the entire district are strictly American and live according to American ideals; many of them own their own homes. A church is in every mining camp. The children attend the public schools. Electric railway and telephone service reach all the camps and connect them with distant points. Daily mail service is supplied.

In fine, the average miner knows something about politics and the world-wide events of the day. Many former miners, who found good prospects by the sweat of their brow, have sold the same at a good profit and have attained positions of responsibility and affluence in the district. And to their credit be it said, they remain with us and support the district with their money and their influence.

Digitized by Google

With the immense growth of this district within the last thirty years have come metropolitan cities aggregating over 100,000 inhabitants, containing light, heat, and power plants, paved streets, sewerage and water systems; in fine, all the modern conveniences which make life worth living.

Joplin contains one of the finely equipped hotels of the country. And Jasper County, with more than 100,000 people in 1907, shipped $20,250,000 of "surplus" product, more than half of which came from her mines and quarries.

As showing the great development and immense value of production of the Joplin district within the last thirty-five years, Tables C, D, and E of the appendix prove the following:

Production of zinc ore, 1873–1894	$26,520,727
Production of zinc and lead ore, 1895–1899	30,194,760
Production of zinc ore, 1900 to date	82,984,563
Production of lead ore, 1900 to date	17,679,709
Total	157,379,758

In 1906 the Missouri-Kansas district produced 30.81 per cent of the tonnage of zinc ores of all grades mined in the United States, and 68.13 per cent of the spelter derived from United States ores.

In 1907 the Missouri-Kansas district produced 31.74 per cent of the tonnage of zinc ores of all grades mined in the United States, and 70.75 per cent of the spelter derived from United States ores.

Now contrast the conditions of Mexican mines and the status of the Mexican miner.

The social and domestic condition of Mexican miners is extremely low. The average man, with his family, lives in a one-room shack, mud house, stone hut, or dugout along some bank.

The meals are of goat meat, tortillas, boiled pumpkin, beans, and coffee. Stoves are found only in the better houses. The laborer's meal is cooked over a little fire between stones. At meal time the family squats around the fire; at night all huddle in blankets on the floor. This is the condition in every camp. The high-priced labor alone affords ordinary meals and sleeps on cots.

Comparing Mexican living conditions with the same conditions in the Joplin district, hereinbefore described, the comparison of wages paid to Mexican miners and Joplin miners, as scheduled below, is interesting:

	Gold value of Mexican wages.	Usual Joplin wages.
Ground boss	$1.42–$2.50	$4.00–$5.00
Shift boss	.85– 1.10	3.00– 4.00
Pump man	.25– 1.50	3.00
Drill men		2.75
Drill helpers		2.50
Shovelers	.50	2.50– 6.00
Hoist men	1.50	2.50– 3.00
Engineer	1.00	2.50– 3.50
Jig men	.75– 1.50	3.00– 5.00
Crusher feeder	.75– 1.50	2.50
Laborers	.15– .50	2.00
Blacksmith	1.50	2.50– 3.50

Digitized by Google

The importations of zinc ore from Mexico consist of (1) calamine or silicate of zinc; (2) carbonate of zinc; (3) mixed silicate and carbonate of zinc; (4) blende, both black and rosin.

1. Calamine or silicate of zinc is mined in two places. The principal mine producing this is at Charcos, near San Luis Potosi. This mine contains enormous quantities of ore, grading from 25 to 35 per cent zinc contents, scattered through the hill or small mountain and extending to a considerable depth. The production has been large.

2. The carbonates and mixed carbonates occur as far south as San Luis Potosi and from Zacatecas to Chihuahua on the western boundary. They vary in percentage from 25 to 45 per cent. The production of these mixed ores is incalculable; the ore is found easily, and the only deposits worked are within 40 miles of a railroad. These ores are the great sources of supply now in Mexico for producing cheap spelter in the United States. They occur in massive pockets and solid sheets. They are frequently very extensive, as in the mines of St. Eulalia near Chihuahua.

3. The blendes are rosin blende in Neuvo Leon, mixed lead and zinc ores at Vallecillo, and the black blende associated with silver ores. Probably the most extensive body of blende yet found in Mexico is now mined at Minanca by the Calera Mining Company. The shipments aggregate 1,000 tons monthly.

Zinc ore bodies in the State of Chihuahua are found in the following camps:

1. Near Picachos on K. C., M & O. R. R., in the eastern part of the State, less than 100 miles from Presidio del Norte, on the Texas border. Produces mainly carbonate ores.

2. Santa Eulalia camp, near the city of Chihuahua, produces carbonate ore exclusively.

3. Near San Ysidro, in west central part of the State, on Chihuahua and Pacific Railroad, produces sulphide ores.

4. The Almoloya camp, the Parral camp, and the Santa Barbara district, in southern part of the State. Almoloya produces carbonate and silicate ores. Parral and Santa Barbara produce sulphides only.

A conservative estimate allows a summary of at least a million tons of crude zinc ore, more or less well exposed, in the State of Chihuahua.

Near Picachos there are 50,000 tons; in Santa Eulalia, 100,000 tons; near San Ysidro, 200,000 tons; at Almoloya, 50,000 tons; and around Parral and Santa Barbara, 600,000 tons.

Regarding mine development, all possible conditions are present. Some are reached by the simplest tunnel adits, the ore being found at or above the tunnel level. In such cases the ore is simply broken down, shoveled or run through chutes into the mine cars, and pushed to the open.

In other mines the ore is found at moderate depths from 100 to 400 feet; this ore is reached by shaft.

The carbonate ores and silicate ores require the merest hand sorting or none at all.

The sulphide ores present difficult and complex milling problems.

Formerly zinc has been a detriment in all sulphide ores, which were valued for their silver-lead content.

Digitized by Google

The art of separating and utilizing this zinc content is now in full development. From a detriment it is now a valuable product.

Reports from these mines are condensed as follows, showing ore deposits and showing low costs of mine operating:

Santo Domingo mine, operated by Chihuahua Mining Company, and El Potosi mine, operated by El Potosi Mining Company; practically same company and the same ore body; 16 miles east of Chihuahua; two narrow-gauge roads connect with Mexican Central at Chihuahua; ore carbonate exclusively; not being worked to capacity; production about 300 tons lead-silver ore, and about 120 tons carbonate zinc daily; shipped by Chihuahua Mining Company September–October 20, 1908, 2,725 tons, 34 per cent; shipped by Potosi Mining Company, May–October 20, 1908, 9,369.5 tons, 38 per cent; percentage as designated by shippers. Carbonate ore was uncovered in developing silver mines. Is broken down, hoisted, and shipped without sorting. Heavy hoisting machinery to handle large production; mine dry; no pumping or timbering. Exposed 200,000 tons; rent shelter to miners; company store.

Mining and transportation to Chihuahua	$4.00
Freight from Chihuahua to Kansas smelters	5.57
Total cost at smelter	9.57

Calera mine, 6 miles from San Ysidro, a station on the C. & P. R. R., connected by private narrow-gauge road; ore sulphides will run nearly 50 per cent concentrates; is producing about 30 tons zinc sulphide, 45 per cent metal, and 15 tons silver-lead concentrates per day; not worked to capacity; large amount of ore piled up ready for milling; ore body reached by adit near foot of hill; shaft for future use; 100-ton mill recently constructed; dry separation; ore delivered to mill in 1,000-pound cars; man or mule power; hand drilling by contract, 12½ cents per foot; mining chief labor cost. Exposed 200,000 tons.

	Ton.
Cost milling and mining	$5.50
Freight to Chihuahua	2.50
Freight to El Paso	1.72
Freight to Kansas smelters	3.85
Total cost at smelter	13.57

Jose Lago mine, 4 miles to Picachos, on Kansas City, Mexico Orient Railroad, less than 100 miles from Presidio del Norte, on Texas border, to which railroad is now being built; when railroad is completed it will be more favorably situated for shipping to United States than any mine in Mexico. At present ore is freighted 4 miles and shipped via Chihuahua; ore carbonate and sulphide zinc, the latter not mined at present; carbonate lead free 45 per cent metallic contents. Ore is broken down; run to open, hand sorted, and loaded into freight wagons; no power is used; practically the only cost is for labor. Ore exposed, 50,000 tons.

Cost mining and sorting	$3.75
Hauling	1.50
Freight to Kansas smeltery	7.07
Total cost	12.32

Digitized by Google

Engineering and Mining Journal, January 4, 1908, page 69, says that the zinc properties in the Monterey district and in Chihuahua have attracted such attention during 1907, that the ores offered for sale were sufficient to maintain separate agencies of five different smelting companies during the greater part of the year, and shipments out of Chihuahua over the Mexican Central were regular until arrested by the freight congestion in the late summer.

Engineering and Mining Journal, September 26, 1908, at page 640, says that the Calera mine had closed a contract for the shipment of 6,000 tons of zinc ore to the works of the United Zinc and Chemical Company at Iola, Kans., and that the present output consists of about 4 cars of concentrates weekly.

ORES OF ZINC.

Sphalerite, or zinc blende; zinc sulphide, containing sulphur 33 per cent and zinc 67 per cent. This ore forms the chief production of the Missouri-Kansas district.

Smithsonite, or zinc carbonate, containing metallic zinc 52 per cent. It "is one of the most important ores of zinc. It occurs almost invariably associated with the silicates, together with which it is extensively employed for the production of spelter."

"Calamine was for a long time confounded with the carbonate of zinc, although they differ materially from one another in both chemical and physical characteristics." Is a hydrous-silicate of zinc. Contains metallic zinc 54.3 per cent.

It will thus be seen that calamine (free of duty under paragraph 514 of the Dingley bill) is a very important ore of zinc. The Board of General Appraisers and Judge Burns, in the circuit court of the United States, southern district of Texas, have ruled that calamine includes both the carbonates and both the silicates of zinc. But the definitions above given are taken from Dana, the recognized American authority, and from other standard works on mineralogy.

As the carbonate and silicate of zinc exists in such immense deposits in Mexico, it is confidently claimed that Congress in drafting the new tariff bill will strike calamine from the free list and make it dutiable as a zinc ore.

We ask the Congress to place upon all zinc ores, including calamine, a duty of 1½ cents per pound upon the metallic contents of the ore. This means that a 40 per cent ore would pay a duty of $12 per ton; a 50 per cent ore a duty of $15 per ton; and a 60 per cent ore a duty of $18.

Such duty is perfectly defensible from the standpoint of the domestic producer of zinc ore. Mr. A. B. Cockerill, who is a large smelter in Kansas of both Mexican and Joplin ores, in June, 1908, in a speech at Joplin, admitted that Joplin could not produce ore for less than $40 per ton; and charitably invited all Joplin mines to stop operations until the spelter market would warrant the payment of the price. In the meantime he would continue to import Mexican ore to keep has smelteries running. He also admitted that with spelter at $5 in the St. Louis market he could procure f. o. b. the Kansas smeltery Mexican ore for $18 per ton. This Mexican ore averages about 40 per cent metallic contents.

Digitized by Google

Now, $18, 40 per cent Mexican ore makes the 60 per cent Joplin ore worth $27 per ton, without any protection of tariff duty; but 1½ cents duty as proposed would require Mr. Cockerill to pay $27 per ton for his Mexican ore; and raise the price of Joplin ore to $45.

Cockerill admits, and the Engineering and Mining Journal (see Appendix F) says, that the Joplin price of ore must be maintained at $40 per ton to show a profit to the operator. The tabulation of mining costs (see Appendix F) shows practically the same conclusion.

ARGUMENT.

The zinc-ore producers of the United States ask for a duty of 1½ cents per pound on the metallic contents of all zinc ores, and, in doing so, feel that they need and should have this duty to protect them against foreign importations. Mexican ore can be laid down at the Kansas smelters at $11.82 per ton, actual cost for 40 per cent ore (Appendix, Table II). This would make the cost of 60 per cent ore (which is the standard grade for the Joplin district) $17.73 per ton. A duty of 1½ cents per pound, as proposed, on 60 per cent ore would be $18 per ton, or a total of $35.73 per ton for Mexican ore at Kansas smelters, while the ore in the Joplin district, under normal conditions, costs $37.78 per ton (see Appendix F), which includes royalty and amortization charge.

The Mexicans have, practically and comparatively, no capital invested in equipment and development in most of the mines; it is simply a quarrying proposition (see Appendix A, exhibits 2, 3, 4, and 5) and hauling the ore to the railroads and loading on cars for shipment; while in the Missouri-Kansas district the average investment is about $37,000 per plant (see Appendix G). Labor cost in Mexico is about $2 per ton (Appendix H). Labor cost in the Missouri-Kansas district is $17.02 per ton (see Appendix F), or a difference of $15.02 per ton in favor of the Mexican ore. Total average cost, including supplies and loading on cars in Mexico, is $4.91 per ton; in Missouri-Kansas district the average cost, including supplies, is $28.62 per ton, or a difference in favor of Mexican ore of $23.71 per ton. On the other hand, the freight on Mexican ore is $6.91 per ton, while loading and freight on Joplin ore is about $1.20 per ton. The difference in favor of the Joplin ore is $5.71, which makes $18 per ton in favor of the Mexican ore. But since it takes one and one-half (1½) tons of Mexican ore to equal 1 ton of Joplin ore, there should be deducted from the $18 one-half of the total cost of laying Mexican ore down at the smelter, which is $5.91, leaving $12.09 in favor of the Mexican ore, to which should be added royalty and amortization cost of $9.16 per ton (see Appendix F), or a total of $21.25 difference in the cost of the production of a ton of Missouri-Kansas and Mexican ore. Against this difference we ask for at least a tariff duty of 1½ cents per pound on metallic contents, which would be $18 per ton on 60 per cent ore.

In accordance with these views, we ask that calamine, paragraph 514 of Dingley bill, be stricken from the free list, and paragraph 181 of said bill be changed to read as follows:

Lead-bearing ore of all kinds, 1½ cents per pound on the lead contained therein; zinc-bearing ore of all kinds, 1½ cents per pound on the zinc contained therein: *Provided*, That all ores imported which contain both lead and zinc shall pay 1½ cents per pound on the lead contained therein, and also 1½ cents per pound on the zinc contained therein: *And provided further*, That on all

importations of lead-bearing ores and of zinc-bearing ores the duties shall be estimated at the port of entry and a bond given in double the amount of such estimated duties for the transportation of the ores by common carriers, bonded for the transportation of appraised or unappraised merchandise, to properly equipped sampling or smelting establishments, whether designated as bonded warehouses or otherwise. On the arrival of the ores at such establishments they shall be sampled according to commercial methods under the supervision of government officers, who shall be stationed at such establishments, and who shall submit the samples thus obtained to a government assayer, designated by the Secretary of the Treasury, who shall make a proper assay of the sample, and report the results to the proper custom officers, and the import entries shall be liquidated thereon, except in case of ores that shall be removed to a bonded warehouse to be refined for exportation as provided by law. And the Secretary of the Treasury is authorized to make all necessary regulations to enforce the provisions of this paragraph.

A.

The following affidavits appear as part of the record in case of United States, appellant, *v.* C. G. Brewster, appellee, in United States circuit court, southern district of Texas, Laredo division (C. L. No. 27), and appear at pages 301 to 305, inclusive, of the printed record on file in said cause:

Exhibit 1.

Consulate-General of the United States, Monterey, Mexico,
Republic of Mexico, ss:

William H. Robertson, being duly sworn, says that the eight cars of calamine ore entered at the port of Laredo, Tex., on or about April 14, 1906, ex cars Nos. 64795, 86131, 28076, 15779, 15369, 2341, 2465, and 431, for account of the Cockerill Zinc Company, of Nevada, Mo., was taken from the Mexico Lead Company's mine in the State of Nuevo Leon, Mexico, and that the calamine ore entered at the aforesaid port of Laredo on or about March 15, 1906, for account of the said Cockerill Zinc Company, ex car No. 17110, was taken from the San Juan mine, in the district of Santa Catarina, State of Nuevo Leon, Mexico, and further that the calamine ore entered at the aforesaid port for the aforesaid company on or about March 3, 1906, ex car No. 15606, was taken from the Bispham and Monday mine, in the district of Montanas, State of Nuevo Leon, Mexico, and further that the calamine ore entered at the aforesaid port by the aforesaid company on or about April 6, 1906, ex car No. 81889, was taken from the La Joya Sabinense mine, in the State of Nuevo Leon, Mexico, and all this is stated of his own knowledge.

William H. Robertson.

Sworn to before me this 12th day of September, 1906.

[seal.] Phillip C. Hanna,
Consul-General of the United States.

(Two $1 consular service stamps affixed.)

Digitized by Google

EXHIBIT 2.

CONSULATE-GENERAL OF THE UNITED STATES, MONTEREY, MEXICO,
Monterey, Republic of Mexico, ss:

SEPTEMBER 12, 1906.

T. H. Brown, being duly sworn, says that he is familiar with and has seen the calamine ore as it is taken from the mines and made ready to be placed in the cars and shipped to the United States, at the Mexican Lead Company's mines in the State of Nuevo Leon, Mexico, and that the method of so getting ready the ore for shipment is as follows:

The ore occurs in solid veins or deposits and is blasted out. Any of the adjoining rock that may be by accident blasted out with the ore is sorted out by hand. Afterwards the ore is broken down to a convenient size with hammers, for transportation to the railroad, when it is loaded in cars for shipment.

T. H. BROWN.

Sworn to before me this 12th day of September, 1906.

[SEAL.] PHILLIP C. HANNA,
Consul-General of the United States.

($2 consular service stamp affixed.)

EXHIBIT 3.

CONSULATE-GENERAL OF THE UNITED STATES, MONTEREY, MEXICO,
Monterey, Republic of Mexico, ss:

SEPTEMBER 12, 1906.

George R. Bispham, being duly sworn, says that he is familiar with and has seen the calamine ore as it is taken from the mines and made ready to be placed in the cars and shipped to the United States, at the Bispham and Monday mines in the district of Montanas, State of Nuevo Leon, Mexico, and that the method of so getting ready the ore for shipment is as follows:

The ore occurs in solid veins or deposits and is blasted out. Any of the adjoining rock that may be by accident blasted out with the ore is sorted out by hand. Afterwards the ore is broken down to a convenient size with hammers, for transportation to the railroad, when it is loaded in cars for shipment.

GEO. R. BISPHAM.

Sworn to before me this 12th day of September, 1906.

[SEAL.] PHILLIP C. HANNA,
Consul-General of the United States.

($2 consular-service stamp affixed.)

Digitized by Google

EXHIBIT 4.

CONSULATE-GENERAL OF THE UNITED STATES, MONTEREY, MEXICO,
Monterey, Republic of Mexico, ss:

SEPTEMBER 12, 1906.

E. M. Nolan, being duly sworn, says that he is familiar with and has seen the calamine ore as it is taken from the mines and made ready to be placed in the cars and shipped to the United States, at the San Juan mine, the district of Santa Catarina, State of Nuevo Leon, Mexico, and that the method of so getting ready the ore for shipment is as follows:

The ore occurs in solid veins or deposits, and is blasted out. Any of the adjoining rock that may be by accident blasted out with the ore is sorted out by hand. Afterwards the ore is broken down to a convenient size with hammers, for transportation to the railroad, when it is loaded in cars for shipment.

E. M. NOLAN.

Sworn to before me this 12th day of September, 1906.

[SEAL.] PHILLIP C. HANNA,
Consul-General of the United States.

(Two $1 consular-service stamps affixed.)

EXHIBIT 5.

CONSULATE-GENERAL OF THE UNITED STATES, MONTEREY, MEXICO,
Republic of Mexico, ss:

William H. Robertson, being duly sworn, says that he is familiar with and has seen the calamine ore as it is taken from the mines and made ready to be placed in the cars and shipped to the United States at the La Joya Sabinense mine, in the State of Nuevo Leon, Mexico, and that the method of so getting ready the ore for shipment is as follows:

The ore occurs in solid veins or deposits, and is blasted out. Any of the adjoining rock that may be, by accident, blasted out with the ore is sorted out by hand. Afterwards the ore is broken down to a convenient size with hammers for transportation to the railroad, where it is loaded in cars for shipment.

WILLIAM H. ROBERTSON.

Sworn to before me this 12th day of September, 1906.

[SEAL.] PHILLIP C. HANNA,
Consul-General of the United States.

(Two $1 consular service stamps affixed.)

Digitized by Google

B.

Production of zinc ore in the United States.

[In tons of 2,000 pounds.]

State.	1904.	1905.	1906.	1907.
	Tons.	*Tons.*	*Tons.*	*Tons.*
Arkansas [a]	1,900	2,200	4,200	4,068
Colorado [b]	94,000	105,500	114,000	142,510
Idaho	Nil.	1,700	2,150	11,847
Kentucky	[c] 958	414	975	1,005
Mississippi-Kansas	[d] 273,238	[d] 258,500	280,260	297,126
Montana	Nil.	2,000	4,900	1,218
Nevada	Nil.	Nil.	7,080	4,593
New Mexico	21,000	17,800	30,000	4,281
New Jersey	[c] 280,029	361,829	404,690	368,710
Oklahoma				3,240
Utah	Nil.	9,265	10,700	9,043
Wisconsin [e]	19,300	32,690	42,130	53,011
Others [b]	[f] 2,600	[g] 3,800	[g] 850	2,241
Total	693,025	795,698	905,175	902,923

[a] Partly estimated.
[b] Estimated.
[c] Report of state geologist; crude ore.
[d] Products of Joplin district, plus output of southeastern Missouri, the later as reported by the state mine inspector.
[e] According to H. F. Bain, "Contributions to Economic Geology," 1904.
[f] Arizona, Nevada, Illinois, Iowa, Tennessee, and Virginia.
[g] Tennessee, Arizona, and California.

Imports of zinc ore into the United States.

[In tons of 2,000 pounds.]

Source.	1904.	1905.	1906.	1907.
	Tons.	*Tons.*	*Tons.*	*Tons.*
British Columbia	2,100	8,561	600	1,157
Mexico	([a] ?)	[a] 32,164	[a] 88,900	108,800
Total	(?)	40,725	89,500	109,957

[a] The actual tonnage of ore imported was somewhat greater than this figure, but it included some mixed ore, which for statistical purposes has been reduced to zinc-ore equivalent. This table is based on reports from the smelters of the ore received by them from these countries.—The Mineral Industry, Vol. XVI, 1907, p. 904.

C.

Hitherto unpublished statistics of Joplin lead and zinc ores.

The following statistics of the production of lead and zinc from the Joplin district are of interest, not having hitherto been published. They were compiled by E. St. George Noble, of Galena, Kans., who built one of the first lead smelters in the district:

Production of zinc ore.

[From the Engineering and Mining Journal, March 14, 1908, p. 561.]

Year.	Tons.	Average price.	Total value.
1873	600	$9.00	$6,210
1874	5,100	10.00	51,000
1875	3,600	12.00	43,200
1876	11,000	13.50	148,500
1877	10,000	14.00	140,000
1878	12,000	16.50	198,000

Digitized by Google

Production of zinc ore—Continued.

Year.	Tons.	Average price.	Total value.
1879	20,000	$17.00	$340,000
1880	27,500	16.00	440,000
1881	49,700	16.50	820,050
1882	52,200	16.90	882,180
1883	53,900	17.50	943,250
1884	63,600	18.00	1,144,800
1885	65,600	17.50	1,148,000
1886	75,100	18.50	1,394,900
1887	83,200	19.00	1,637,800
1888	89,700	20.00	1,796,000
1889	98,440	24.00	2,362,560
1890	114,900	23.00	2,624,700
1891	143,650	22.00	3,100,300
1892	148,150	22.50	3,333,375
1893	134,000	19.25	2,581,232
1894	134,300	17.25	1,316,675
	1,330,720	17.27	26,520,727

D.

Joplin production and value of zinc and lead ores, 1895 to 1899.

[From Engineering and Mining Journal, January 4, 1908, p. 92.]

	Zinc ore.	Lead ore.	Total value.
	Tons.	*Tons.*	
1895	144,487	31,294	$3,775,929
1896	155,333	27,721	3,857,355
1897	177,976	30,105	4,726,302
1898	231,455	26,687	7,119,867
1899	255,088	23,888	10,715,307
Total	967,339	139,695	30,194,760

E.

Joplin production and value of zinc and lead ores, 1900 to date.

Year.	Zinc.	Value.	Lead.	Value.
	Tons.		*Tons.*	
1900	244,630	$6,583,950	29,170	$1,402,678
1901	256,920	6,318,250	34,908	1,610,980
1902	256,340	7,803,600	30,142	1,454,818
1903	227,690	7,855,145	28,530	1,546,005
1904	266,730	9,797,677	34,530	1,898,196
1905	253,890	11,584,970	31,660	1,946,685
1906	278,[illegible]9	12,079,602	39,189	3,048,573
1907	280,174	12,921,522	42,032	2,898,405
November 8, 1908	219,465	7,399,847	34,521	1,873,368
Total	2,490,828	82,984,563	304,682	17,679,708

F.

Cost of production in Joplin district.

An accurate average cost of production in the district is difficult to obtain, on account of the largely differing conditions that exist.

Dr. E. R. Buckley (in advance pages from Vol. X, 2d ser., pp. 15 and 16, the Missouri geological survey), past director of the Missouri Geological Survey, who has given this question a very great

Digitized by Google

deal of study and is beyond doubt the best authority extant on the subject, says:

Owing to the great diversity in physical conditions, equipment, and efficiency of management, there is a wide range in the cost of operating mines and mills. In some instances the rock is hard, in others it is soft. In some localities there is a heavy flow of underground water, in others the flow is very light. In some places the ore is close to the surface, in others it is deep. Some mines require considerable timbering both in the shaft and in the workings, others require practically none. Some mines can be operated most successfully with a mill of large capacity, others with a mill of small capacity. Some have efficient management, in others the management is inefficient. Thus it may be seen that the various elements entering into any estimates of cost may cause them to vary widely.

With due consideration to the foregoing the following costs of production are given as representative sheet ground mines, where the large reserves of the district exist and whence the large portion of the future supply must come. The costs given are taken from actual operations:

Cost of production as reported by 10 representative mining companies and mines.

Mill.	Labor cost.	Powder, supplies, etc.	Total.	Amortization.	Royalty.	Grand total.
A-600-ton mill	$16.25	$8.75	$25.00	$5.54	$4.00	$34.54
B-300-ton mill	14.35	11.16	25.51	4.16	4.00	33.67
C-200 ton mill	21.75	14.50	36.25	4.16	4.50	44.91
D-300 ton mill	22.67	10.78	33.45	6.66	----------	40.11
E-200-ton mill	21.67	13.33	35.00	3.00	6.00	44.00
F-125-ton mill	15.00	11.67	26.67	4.16	6.00	36.83
G-150-ton mill	18.48	11.32	29.80	2.95	6.00	38.75
H-100-ton mill	17.33	11.00	28.33	4.17	6.00	38.50
I-250 ton mill	9.00	10.91	19.91	4.17	4.00	28.08
J-200-ton mill	13.72	12.55	26.27	4.17	8.00	38.44
Average	17.02	11.60	28.62	----------	----------	37.78

In Engineering and Mining Journal, January 4, 1908, at page 16, it is said:

Assuming that blende containing 60 per cent zinc is worth $40 per ton, and lead ore $42 per ton, and that one sixth of a ton of lead ore is obtained with each ton of zinc ore, the gross value of the two concentrates is $47 per ton. If a royalty of 20 per cent is to be paid, the net value to the operator is $37.60 per ton. If it be necessary to mine 33 tons of ore to obtain on a ton of blende concentrate, i. e., to obtain a yield of about 3 per cent, and the cost of mining and milling be $1.10 per ton, the total cost of production is $36.30, leaving a profit of only $1.30 for the mining and milling of 33 tons of ore, or only 4 cents per ton of ore hoisted from the mine.

A good deal of ore was produced in 1907 under precisely the above conditions. On the other hand, there was more or less concentrate produced from ore of a better grade, even up to a yield of 5 per cent, or at a lower royalty, or perhaps even a little lower cost for mining and milling, which could be produced profitably at less than $40 per ton for blende concentrates.

G.

Reports from 92 companies in Missouri-Kansas district.

Cost of plants, including mill and development, $2,115,500; average cost of plants, mill, and development, $37,060; total daily tonnage, 21,000; average tonnage, 230; average recovery, 4 per cent.

Digitized by Google

Four per cent recovery produces 9.20 tons concentrates per day; three hundred days per year would make 2,760 tons per year, or 11,040 tons in four years, the average life of mill for district. Thirty-seven thousand and sixty dollars, cost of mill plus four years' interest at 6 per cent, equals $8,894; total, $44,954.40; equals $4.16 per ton for each ton of concentrates produced to return cost with 6 per cent interest.

H.

Pulsifier:

Cost of Mexican zinc ore.

	Mining and picking.	Hauling.	Total cost f.o.b.cars.	Freight.	Cost at smelter.
Picachas	$3.75	$1.50	$5.25	$7.07	$12.32
San Ysidro			5.50	8.07	13.57
Santa Eulalia			4.00	5.57	9.57
Average			4.91		11.82

A. O. Ihlseng, paper on Zinc Mining in Mexico: Mining and picking, $2 to $3; hauling, $2.50 to $3; total cost f. o. b. cars, $4.50 to $6; freight, $6.50 to $8; cost at smelter, $11 to $14.

EXHIBIT 6.

WEBB CITY, MO., *November 20, 1908.*

The ZINC ORE TARIFF CLUB,
Webb City, Mo.

GENTLEMEN: My actual acquaintance with the importation of zinc ores from Mexico into the United States is confined to the samples representing car lots consigned to smelteries in Missouri and Kansas, which samples are submitted to me for assaying for both the seller and producer of the ores. They are known as the "umpire" samples, and upon the result of this assay in my laboratory the settlement of their value is made.

These samples represent ores imported exclusively, I believe, from the surface deposits of calamine in the State of Nuevo Leon, and consist of both silicate of zinc and carbonate of zinc; sometimes the silicate predominates and sometimes the carbonate, usually the carbonate. These two minerals are undistinguishable in appearance, both being known to the smelters as calamine ore.

The ores are imported in the raw or crude state exclusively. I have as yet never received samples of the calcined ore—that is, ore which has been submitted to a light calcination in a kiln before shipment, as is the universal custom, I believe, with Spanish calamines exported to Belgium or Germany.

In the crude state these Mexican calamine ores contain an average of about 42.8 per cent of metallic zinc combined with from 1 to 20 per cent silica, 0 to 6 per cent of water of combination, and 10 to 30 per cent of carbon dioxide or carbonic-acid gas. There is also asso-

Digitized by Google

ciated with these elements about 15 to 18 per cent of impurities consisting of carbonate of lime, oxide of iron, and sometimes sand or silica. When such ores are calcined at a low temperature, the carbonic-acid gas and combined water is expelled, reducing the weight by from 15 to 30 per cent, and at the same time raising the tenor of zinc contents to about 55 per cent on an average. The effect of such calcination is, of course, to lessen the expense of transportation, and it may also increase the valuation of the ore in case the valuation is made according to a sliding scale similar to the one in general use for the valuation of domestic ores.

I have a general acquaintance with many of the mining districts of Mexico, gained during the years from 1886 to 1899, when I examined many mines in Sonora, Chihuahua, Durango, Zacatecas, and other parts, and at times directed the metallurgical operations of mines and reduction works at Parral and Lampazos. I have seen very extensive deposits of high-grade zinc ores in several localities in the interior, which deposits can produce large quantities of zinc when they are made accessible by railroads; but I have never visited the deposits in eastern Mexico, which are now exporting ores of zinc to this country. These ores differ from our domestic ores in that they occur in the massive form, requiring no mechanical concentration, as in the case with our ores. These latter occur in disseminated form, mixed with rock, gangue, or other minerals, necessitating crushing and grinding and jigging off the waste material in order to obtain the clean zinc ore. In the Joplin district, for example, from 10 to 25 tons or even 30 tons of rock has to be drilled, blasted, and hoisted from underground and milled to obtain 1 ton of saleable zinc ore. In Mexico a ton of the material mined from open quarries is a ton of saleable zinc ore without any further treatment, unless, as I have already said, it may be deemed necessary to calcine it, to reduce the weight and increase its value per unit of zinc contents.

I append a list of assays, showing the zinc contents of some Mexican ores.

Truly, yours, W. GEO. WARING.

List of 50 representative umpire assays of Mexican ores imported during the summer of 1908, taken at random from our books.

[Statement of W. George Waring, Metallurgical Engineer, Webb City, Mo., November 20, 1908.]

[Each analysis represents a carload lot.]

Zinc.	Zinc.	Zinc.	Zinc.
36.90	42.65	45.00	43.70
42.25	42.75	43.50	41.60
42.65	42.00	42.80	44.00
43.40	42.50	39.45	40.00
42.40	42.00	45.30	47.20
43.20	43.70	44.30	42.60
42.00	41.20	39.20	43.50
40.15	46.40	41.40	35.40
42.10	42.00	39.80	42.90
41.35	41.90	39.20	42.90
42.00	44.70	39.50	43.00
43.60	44.50	44.90	43.10
41.20	42.90		

Average, 42.83 per cent metallic zinc.

Digitized by Google

I.

Number of men employed in Missouri-Kansas district, 11,000.

There is no accurate data upon this subject, but the following estimate can not be far wrong:

Bureau of Mines report for 1906 shows that 289 mining companies reported, producing 189,169 tons of concentrates and employing 7,252 men. In 1907, 286,174 tons of concentrates were produced. Assuming the same ratio of men to tons of concentrates produced:

189,169 : 286,174 :: 7,252 : X—11,000 men.

A. B. COCKERILL, NEVADA, MO., STATES THAT SMELTERS CAN NOT GET SUFFICIENT ZINC ORE AT THE PRESENT TIME.

NEVADA, MO., *January 4, 1909.*

Hon. SERENO E. PAYNE, M. C.,
Washington, D. C.

DEAR SIR: It having been inconvenient for me to appear before the committee relative to the imposition of a duty on zinc ore, I write to ask that you read carefully the briefs filed by the smelters on this subject. There is not enough ore produced in this country to make the zinc that is used in this country, and a prohibitive tariff on zinc ore will certainly paralyze this industry in the United States. This company is still running less than 50 per cent of its capacity because of its inability to get ore.

Yours, truly,

A. B. COCKERILL,
COCKERILL ZINC COMPANY,
Manufacturers of Spelter.

M. L. COHN, SECRETARY OF THE FEDERATED MINES AND MILLING CO., CHICAGO, ASKS FOR A DUTY ON ZINC ORE.

TUESDAY, *December 8, 1908.*

Hon. H. S. BOUTELL, M. C.,
House of Representatives, Washington, D. C.

DEAR MR. BOUTELL: Circumstances preclude my joining the committee representing the Zinc Ore Tariff Club on its visit to Washington for the purpose of presenting our cause to the Committee on Ways and Means on November 25. Apart from the details that will be submitted to your committee by these representatives, I know that you will pardon me if I dwell briefly and on broad lines on what appear to me to be salient features of the zinc-ore situation:

1. The gradual increase in importation of the Mexican product has now reached proportions that constitute a serious menace to the American producer, not taking into account importations from British Columbia. Unless checked by fair and reasonable protection, I believe that within a very few years zinc mining in America will confront a condition under which profitable operation will be impossible. This, of course, would mean the destruction of the industry in this country.

Digitized by Google

2. Our American labor can not possibly compete with Mexican peon labor at 50 cents per day American gold. I am informed that the peon labor employed by the Mexican operators is superior to the negro labor of the South, and that in Mexico there is no limitation to the number of hours constituting a day's labor.

In Missouri eight hours per day is the limit fixed by law for work in the mines. In this connection it is certain that the wages of the American miner are more likely to be advanced rather than reduced under the stimulus of prosperity and increase of wealth, precisely as was the case prior to the recent panic. In any event, our American labor, even at the prevailing wages, which since the depression have been somewhat lowered, will never be less than now, as the higher cost of living renders it impossible for the American workman to maintain himself at lower wages. Our miners live like white men, not like peons.

3. Between 1904 and 1908 both wages and the cost of all supplies used by us have advanced very materially, and our practical experience since the recent panic emphasizes our claim that neither of these two items of cost (labor and supplies) will ever again be as low as they were prior to 1904.

Contrary to our own and general expectations, there has, during the current depression, been so little reduction in the cost of all supplies that we can not look for any relief from possible future savings in these items of cost of production. If we were unable to secure concessions in the cost of supplies during a period of industrial depression, we can not hope for relief from this source in times of general business prosperity. In fact, in December, 1907, the price of powder, one of our main items of expense, was advanced 10 per cent.

4. Roughly estimated, there is at this time invested in this country in zinc mining anywhere between $75,000,000 and $100,000,000, and this large and growing industry has not yet been scratched. The Missouri and Wisconsin zinc fields are by no means the only sources of supply. The industry is in various stages of development in many other States.

Of greater importance than the present, however, are its future possibilities. Just as has proved to be the case with our other mineral resources, so from time to time theretofore unknown zinc fields continue to be disclosed. Even at this writing there are known to be large fields in other States, which up to this time, for want of transportation and labor, are practically entirely undeveloped.

Without protection, not only will the present American investment in this industry perish, but the development of its future will be destroyed. Compared with the future, the present rank of the industry is but a drop in the bucket, and I submit that, as a broad economic principle, the future is entitled to consideration.

5. From the standpoint of practical experience, as opposed to theory, nothing appears to me more unjust than the cry that such protection as we now seek is in the interest of capital only. The labor we employ has every bit as much at stake in this matter as has any landowner, operator, or business man in the district. That the workingmen of this district fully realize the truth of this claim may perhaps best be evidenced by the fact that at the recent election the Fifteenth Congressional District of Missouri surprised, not so much itself as the outside world, by electing on the issue of protection for zinc a

Digitized by Google

Republican Congressman by a plurality of 1,587 out of a total of 17,335 votes.

The majority of these votes represents the cry of labor for protection, and the remainder represents the cry of capital for protection. If the mines can not be operated at a profit, the labor must be discharged and must necessarily seek employment in other directions. If the policy of destruction of our zinc industry should be extended to other native industries, all American labor would logically be hunting a job somewhere with no jobs in sight.

Boiled down, without protection the capitalist loses his investment, and the workman loses his labor, and more than that, if he has been a thrifty workman and invested his savings in a modest home he suffers a double loss.

6. Opposing interests may claim that this country can not produce enough zinc to supply the demand. That there is no true basis for this claim can be evidenced by the facts and figures pertaining to the industry; but admitting for the sake of argument that there might be some slight foundation for such a claim, and that in times of unusual business activity the production of American zinc should temporarily fall short of the demand, is that good reason why the industry in this country should be sacrificed?

Under the stimulus of protection the normal development of new fields and increased development of the present fields as well would very shortly result in such an increased production as to fully supply all demands.

There never was a time when capital did not seek investment where the promise of profit was reflected. The development of the zinc industry is not likely to prove an exception to this rule.

7. I desire earnestly to invite the thoughtful consideration of your committee to a most important difference between the business of mining and what is generally understood to be implied by the term "manufacturers." The manufacturer of clothing, prints, shoes, the smelter of zinc, etc., have to a certain extent, and in a very large measure, as compared with mining, fixed standards of quantity, measurements, cost of material, and other elements that enter into the cost of production. In other words, he buys by the yard, pound, or ton, or other standards that are fixed and that furnish him a basis for more or less reliable calculations. The business of mining is essentially a hazardous occupation, standing in a class by itself, and of all mining, the mining of zinc is exceptionally hazardous.

The investor in this class of mining is obliged to take a risk that does not attach to the ordinary line of manufacture, or even to the mining of coal or iron. Assuming that in one mine he is fortunate and secures a large return on the investment, it is a moral certainty that in some other mine that seemed equally promising he will suffer a loss, so that the average profit resulting from this class of investments can never at any time be shown to be excessive, if any consideration whatsoever is given to the risks involved. For this reason, if there were no others, I contend that if we are to develop by encouragement in this great source of wealth in our country, we are entitled to all the fair and reasonable protection the circumstances of necessity demand.

Digitized by Google

8. I will ask your pardon in advance if I seem to transgress in telling you that I will not be surprised if, pending the settlement of this matter of the tariff on zinc ores, the smelting interests opposed are likely to pay the top prices for our product, for the purpose of misleading Congress to the belief that our industry requires no protection. This is, of course, a point that is not susceptible of proof, but, as you may personally know, precisely such a course has on previous occasions been pursued from like motives, and I feel that it may be as well to bear this in mind.

As matters now stand the operator is at the mercy of the smelters who use the foreign ores to depress the price of domestic ores. Protection once established, each interest will know where it is at. That is to say, there will be a stable foundation for both. Any advantage to either must prove to be temporary, for with protection each will then be subject to the natural law of supply and demand as limited to this country, with the result that instead of developing the resources of Mexico and British Columbia we will be able to develop our own. If it is true that "charity begins at home," the principle should apply to the nation as well as to the individual, and it would seem becoming to the nation to set the example.

Very truly,

M. L. COHN,
Secretary Federated Mines and Milling Company.

R. A. & JAS. BALPH, PITTSBURG, PA., THINK THAT THE MISSOURI ZINC MINES NEED A PROTECTIVE DUTY.

PITTSBURG, PA., *November 13, 1908.*

Hon. JOHN DALZELL, M. C.,
Washington, D. C.

DEAR SIR: We, together with a number of other of your constituents, are personally interested in the lead and zinc production in the Joplin district, Missouri.

There has been a great reduction in the amount of ore produced in the last two years, caused, first, by the general conditions of the country, and second, more especially by the competition with low-priced zinc ores imported from Mexico free of duty.

It is the desire of a great number of people, both here and in Missouri, that a specific duty shall be imposed upon all zinc ores imported. The ore that is coming in free, as we understand under the present law as construed by the department, is a blend ore. It is contended by a number of people who have given this study that there should be a specific duty of 1½ cents a pound on the metallic contents of this class of ore. The effect of the free importation of this ore is to cut down the price of our domestic ores below the point where the great majority of the mines can produce with a profit. In other words, they can not compete with the cheap labor of Mexico.

We would ask, therefore, that you give this your earnest attention, and we trust that the committee will see its way clear to recommend the duty as above set forth.

Very respectfully, yours,

R. A. & JAS. BALPH.

Digitized by Google

THE LANYON-STARR SMELTING CO., PITTSBURG, KANS., THINKS THAT ALL THE SMELTING COMPANIES ARE OPPOSED TO PUTTING A DUTY ON ZINC ORES.

PITTSBURG, KANS., *November 27, 1908.*

Hon. SERENO PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.

DEAR SIR: Confirming my telegram of last night, I wish to say that I noticed in the newspaper reports of the hearing given the Joplin ore tariff committee, Mr. A. O. Ihlseng made a statement that, with the exception of two smelters, all of the others were either in favor of a tariff on Mexican ores or were neutral. My personal opinion is all of the smelters are opposed to a duty being placed on Mexican zinc ores, although they have not appeared at the hearing.

I am president of two smelting companies, the Pittsburg Zinc Company, of this city, and the Lanyon-Starr Smelting Company, of Bartlesville, Okla., and we are very much opposed to a duty being placed on these ores; in fact, I think it will cripple the zinc-smelting industry of this country if a duty is placed on them.

Mr. Ihlsing has been a representative and still may be, as far as I know, of one of the largest foreign zinc-smelting companies in the world. At different times he has bought ores in the United States and shipped them to various works across the water, and I understand he is now shipping ores from Mexico to these plants. No doubt he would like to see a duty placed on Mexican ores, as it might assist him in his work.

I hope your committee will give this matter a careful consideration, as we are vitally interested in the subject.

Yours, very truly,

LANYON-STARR SMELTING COMPANY,
E. V. LANYON, *President.*

HON. AMOS ALLEN, M. C., SUBMITS LETTER OF JABEZ TRUE, OF PORTLAND, ME., ASKING DUTY ON ZINC ORE.

PORTLAND, ME., *December 1, 1908.*

Hon. AMOS L. ALLEN, M. C.,
United States Representative, Washington, D. C.

MY DEAR SIR: I beg leave to call your attention to the following, which no doubt will be brought up under the revision of the Dingley tariff laws (so-called) during the next session of Congress.

The interpretation of the Dingley tariff laws relating to zinc and lead was a dispute for several years, and the Board of General Appraisers decided that the term "calamine," which had been on the free list for forty years, included carbonates and silicates of zinc, while zinc blende is declared nondutiable under another clause of the Dingley bill. This decision was upheld a few months since by the United States circuit court, so that there is now no protection for the zinc and lead ore producers of this country. There seems to be no doubt but that the intention was to protect the zinc and lead ore with a 20 per cent ad valorum duty, but these decisions have wiped it out, so that British Columbia and Mexico are furnishing our

country with zinc and lead, while our mines are unable to compete with them at the present prices of labor, therefore our mines must shut down or be run at a loss to the owners. It seems to me that this should be taken up and adjusted. Will you please take the matter up and after going over it let me hear from you on the subject? I have taken this matter up first on general principles and second in behalf of our local owners of stock in lead and zinc mining companies of Missouri. Hoping to hear from you in due time, I am,

Yours, very respectfully,

JABEZ TRUE.

THE COMMERCIAL CLUB OF JOPLIN, MO., URGES VITAL IMPORTANCE OF PROTECTIVE DUTY ON ZINC ORE.

[Telegram.]

JOPLIN, MO., *November 25, 1908.*

Hon. SERENO PAYNE, M. C.,
Chairman Ways and Means Committee, Washington, D. C.:

The Commercial Club of Joplin desires to urge the vital importance of a tariff on zinc ore of a cent and a-half a pound; the future welfare of the zinc-mining industry of the United States demands it.

W. A. SANDFORD,
President, Joplin Commercial Club.

THE CHANUTE ZINC CO., ST. LOUIS, MO., INDORSES PROTEST AGAINST A DUTY ON ZINC ORE.

ST. LOUIS, MO., *November 26, 1908.*

SERENO E. PAYNE,
Chairman of Ways and Means Committee, Washington, D. C.:

Have seen Cockerill's protest against the duty on zinc ore, and we urgently indorse same.

CHANUTE ZINC CO.,
HERMAN HESS, *President.*

THE NATIONAL ZINC COMPANY, OF NEW YORK CITY, URGES THAT ZINC ORES BE FREE OF DUTY.

[Telegram.]

NEW YORK, *November 28, 1908.*

Hon. S. E. PAYNE,
Chairman Committee on Ways and Means, Washington, D. C.:

Relative agitation regarding duty on zinc ores we respectfully urge that same be removed as its retention is retarding development of zinc-smelting industry, due to fact that home production of zinc ores is unable to supply current smelting needs. Have very carefully studied brief submitted by C. M. Loeb, president Bartlesville Zinc Company, and his statements are most accurate in every respect, and we heartily indorse same.

Respectfully,

NATIONAL ZINC COMPANY,
B. ELKAN, *Second Vice-President.*

Digitized by Google

THE NEW JERSEY ZINC COMPANY, NEW YORK CITY, THINKS IT UNWISE TO PLACE A DUTY ON ZINC ORE.

NEW YORK CITY, *December 16, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
House of Representatives.

DEAR SIR: You suggested to our representative at the tariff hearing on November 10 that some of the owners of zinc mines in the Joplin (Mo.) district had been agitating the question of a protective duty on zinc ores, and you stated that it might be well for us to study their reasons and hear what they had to say. This matter is one which is of the greatest importance and has claimed our closest attention.

We are now and always have been of the opinion that it would be most unwise to place an import duty on zinc ores.

Our company is largely interested in zinc-ore properties in various parts of the United States. These properties are in New Jersey, Missouri, Colorado, Wisconsin, New Mexico, Pennsylvania, and Virginia. Out of all the zinc ore produced in this country in each of the past four years ending December 31, 1907, these properties produced in 1904, 41.9 per cent; in 1905, 46.2 per cent; in 1906, 46.4 per cent; in 1907, 43.8 per cent. We and our predecessors have been continuously in the business for about sixty years. During that entire period, except for the tariffs of 1846 and 1857, we have been without protection for our ores. We have not felt the need of protection for our ores at any time, and do not feel the need of it now. On the contrary, an import duty on zinc ore will greatly hasten the exhaustion of some of the natural resources of this country which can never be reproduced, will seriously cramp the business of the domestic zinc-manufacturing industry, and will aid the European ore buyers and manufacturers without yielding a corresponding benefit to domestic zinc miners. This country does not produce enough zinc ore for normal requirements.

We should be glad to furnish your committee with such information as you may desire if you will be good enough to let us know just what you require.

Very respectfully,

THE NEW JERSEY ZINC COMPANY,
S. S. PALMER, *President.*

THE NEW JERSEY ZINC COMPANY, NEW YORK CITY, SUBMITS ADDITIONAL BRIEF IN FAVOR OF FREE ZINC ORE.

71 BROADWAY,
NEW YORK CITY, *January 1, 1909.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The New Jersey Zinc Company is a corporation of the State of New Jersey. It owns zinc mines in Sussex County, N. J., and a zinc-manufacturing plant at Newark, N. J. The present com-

Digitized by Google

pany was incorporated in 1880. It and its predecessors have been continuously in the business of mining zinc ores in New Jersey for about sixty years. Among the domestic producers of zinc ore the New Jersey Zinc Company is the largest. It produces all the zinc ore mined in New Jersey, and the production of New Jersey, as compared with other States of the Union in the years 1904 to 1907, appears from the following table, taken from Mineral Industry for 1907 (Vol. XVI), at page 904:

State.	1904.	1905.	1906.	1907.
	Tons.	*Tons.*	*Tons.*	*Tons.*
Arkansas	[a] 1,900	2,200	4,200	4,088
Colorado	[b] 94,000	105,500	114,000	142,510
Idaho	Nil.	1,700	2,150	11,847
Kentucky	[c] 958	[c] 414	975	1,005
Missouri-Kansas	[d] 273,238	[d] 258,500	[d] 280,260	297,126
Montana	Nil.	2,000	4,900	1,218
Nevada	Nil.	Nil.	7,080	4,593
New Mexico	[c] 21,000	17,800	30,000	4,281
New Jersey	[c] 280,029	[c] 361,829	404,690	368,710
Oklahoma	.....	.....	.....	3,240
Utah	Nil.	9,265	10,700	9,043
Wisconsin	[a] 19,300	32,690	42,130	53,011
Others	[b] 2,600	[f] 3,800	[g] 850	[g] 2,241
Total	693,025	795,698	905,175	902,923

[a] According to H. F. Bain, Contributions to Economic Geology, 1904.
[b] Estimated.
[c] Report of state geologists; crude ore.
[d] Production of Joplin district, plus output of southeastern Missouri, the latter as reported by the state mine inspector.
[e] Partly estimated.
[f] Arizona, Nevada, Iowa, Tennessee, and Virginia.
[g] Tennessee, Arizona, and California.

From the foregoing table it appears that the New Jersey Zinc Company has produced in New Jersey in each year more zinc ore than was produced in any other one State or district. This company is also largely interested in zinc-ore properties in Missouri, Colorado, Wisconsin, New Mexico, Pennsylvania, and Virginia. From these properties, including the output of the company's New Jersey mine, there was produced in each of the past four years ending December 31, 1904–1907, the following percentages of all the zinc ore mined in the United States: In 1904, 41.9 per cent; in 1905, 46.2 per cent; in 1906, 46.4 per cent; in 1907, 43.8 per cent. As domestic ore producers, we are, therefore, largely interested in the present concerted movement of some of the Joplin mine owners and a buyer of Mexican zinc ore for European smelters in their attempt, by means of a prohibitive tariff, to shut foreign zinc ore out of the United States.

EXPERIENCE HAS NOT SHOWN A NECESSITY FOR A PROTECTIVE TARIFF ON ZINC ORE.

The ores from the New Jersey mines are of a class known in trade as "calamine," i. e., the carbonates and silicates of zinc, and they have been continuously on the free list in all the tariff acts since 1792, except in the tariff acts of 1846 and 1857. Originally, and until comparatively recent years, the term calamine has included all the ores of zinc that were commercially valuable. It is only recently that the blende ores, i. e., the ores containing sulphide or zinc, have been considered commercially valuable. It has, therefore, been the

Digitized by Google

apparent policy of the Government, from the earliest time, to admit zinc ores free of duty; and experience has shown that this policy of the Government is sound. To illustrate: Although the New Jersey Zinc Company's mines and works are near the Atlantic seaboard and therefore geographically exposed to the competition of zinc ores from Mexico by water routes and from Europe and Australia, the importation of foreign ores up to the present time has not been considerable or other than a benefit in helping out the domestic supply. It has never appeared to be in any way a menace to domestic enterprises and we can see no ground for alarm on this score in the future.

If calamine ores have been mined without a protective tariff for more than sixty years, it would certainly be supposed that the blende ores could equally get along without protection. It will be noted that copper ore and several others besides zinc are on the free list.

THE PRODUCTION OF ZINC ORE FROM THE JOPLIN DISTRICT DOES NOT KEEP PACE WITH THE DEMAND.

The rapid development of domestic manufactures in which zinc is used has made the question of ore supply important. The following table shows that the production of domestic spelter, i. e., metallic zinc, has increased much more rapidly than the production of zinc ore from the Joplin district in spite of the fact that the price of such ore has increased much more than the price of spelter. The figures are compiled from the Mineral Industry for 1907.

Year.	Zinc ore produced in Joplin district.	Average price of ore at Joplin.	Spelter produced in United States.	Average price of spelter at New York.
	Tons.		*Tons.*	
1900	248,446	$26.50	123,321	$4.39
1901	258,306	24.21	140,822	4.07
1902	262,545	30.73	158,239	4.84
1903	234,873	34.44	158,502	5.40
1904	267,240	37.40	181,803	5.10
1905	252,435	47.40	201,748	5.88
1906	278,930	44.82	225,494	6.19
1907	286,589	44.36	249,612	5.96

This table shows that while spelter production in the United States has increased 102.4 per cent in the past eight years with an increase in price of 35.8 per cent, Joplin ore has increased in production by only 15.4 per cent, although its price has increased 67.4 per cent.

In addition to the figures given above, which tell their own story, it has been notorious in the trade that from a period long before the imported ores of Mexico and British Columbia were a subject of much interest, the Joplin district was failing to meet the increasing demands upon its mines. We have not attempted to collect all the evidence on this subject, but we have collected a number of items from the Engineering and Mining Journal, an impartial and recognized authority, showing the conditions of the Joplin ore supply in the years 1904, 1905, and 1906. These items follow:

Digitized by Google

Extracts from Engineering and Mining Journal of various dates.

(January 7, 1904, p. 15. Zinc in 1903, by W. R. Ingalls.)

The decline in production in the Joplin district was due partly to the very wet weather in the spring which interfered with operations to some extent, but the chief cause is obviously the inability of the mines of the district to do any more than they have been doing. It appears that the productive capacity of the Joplin district has attained its maximum, even if it be not already on the wane.

(August 4, 1904, p. 205. Missouri Ore Market, Special Correspondent.)

Even then, with the new smelters in the field for the product of the Missouri mines, the output will barely meet the urgent demands of the capacity of all the works drawing a supply from this district.

(September 8, 1904, p. 414. Missouri Ore Market, Special Correspondent.)

As has been previously outlined in the Journal, the output is insufficient to meet the demand of the increased smelting capacity drawing a supply from this district and in consequence, ore price has been about $4 per ton higher than the metal market for two months.

(September 29, 1904, p. 534. Missouri Ore Market.)

The effort to supply the demand of approximately 6,000 tons per week, with an output of approximately 5,000 tons, has resulted in cleaning up all the reserve ore in the district and forced buyers to contract largely ahead of the output.

(October 6, 1904, p. 573. Missouri Ore Market, Special Correspondent.)

There are just two things there is no apparent question about in the ore situation—the scarcity of zinc ore and the need of zinc ore.

(November 24, 1904, p. 854. Missouri Ore Market, Special Correspondent.)

The capacity of the smelters drawing ore from the Joplin district is greater than the mines are outputting, a fact that was pointed out in this column last July.

(January 5, 1905. p. 14. Zinc, by W. R. Ingalls.)

The direct cause of this has been of course the insufficiency of the Joplin ore supply to meet the present demand for spelter for consumption.

(March 16, 1905, p. 534. Missouri Ore Market.)

It was noted in this column last year that it was apparently a physical impossibility for this district to supply all the zinc ore needed to manufacture all spelter demanded by American consumers. Consequently, as this district does not keep pace with the increasing output of spelter, it becomes necessary each year to procure a larger proportion from some other source.

(June 29, 1905, p. 1269. Missouri Ore Market.)

So far the imported ore is of a grade that does not compare with the poorest ore of this district, and it is handled only because the output of this district is insufficient to meet the requirements of the smelter capacity of the United States.

(January 6, 1906, p. 12. Zinc, by W. R. Ingalls.)

It appears to be recognized that this district is now affording as large an output of ore as can reasonably be expected from it, and further supplies must be looked for in other quarters.

(February 3, 1906, p. 234. The Joplin district. Editorial.)

It is to be feared that there will be a further falling off in the output of zinc ore this year, even if the price continues high, for the reason that the new openings of ore are not compensating for the exhaustion of the older mines.

ENOUGH ORE HAS NEVER BEEN PRODUCED IN THE UNITED STATES TO KEEP THE SMELTERS SUPPLIED WHEN RUNNING AT FULL TIME.

According to Volume XVI of Mineral Industry, page 899, the spelter retorts in the United States number 89,560. The average consumption of ore is 40 pounds per diem for each retort. The

Digitized by Google

capacity of the retorts in a year of 360 days is 644,760 tons of ore. Before used in the retort all blende ore has to be roasted and, in that process, loses a percentage of weight; so that to keep the smelters in operation it would require not less than 758,000 tons of blende per annum. The largest production of domestic ore was in 1906, when 905,175 tons were produced. Of this production, after deducting only such portion of our New Jersey ores as was not available for spelter and assuming that every pound of other ore went to the smelters, there remain but 553,960 tons available for the smelters. This shows a balance of 204,040 tons of spelter ore to be produced from some source outside of the United States if all the smelters are in operation. The following table gives the foregoing facts in condensed form:

Total spelter retorts in United States in 1907		89,560
Average charge roasted ore per retort	pounds per diem	40
Capacity of spelter retorts per year, roasted ore	tons	644,760
Equivalent to	tons blende	758,000
Total spelter ores produced in United States in 1906 (which was the year of largest production)	tons	553,960
Ore required as above	do	758,000
Ore available as above	do	553,960
Ore which must be secured outside United States	do	204,040

THE JOPLIN DISTRICT IS SAFE FROM FOREIGN COMPETITION WITHOUT A PROTECTIVE TARIFF.

The inland location of the Joplin mines and the proximity of the smelters and the large consumers of spelter would seem to furnish Joplin with complete immunity from foreign competition.

The entire zinc industry, including the Joplin producers, felt the depression of 1907–8, but they are in error in ascribing it to the importation of Mexican zinc ore, if, as might have been inferred from the arguments of Mr. S. Duffield Mitchell and Mr. A. O. Ihlseng, they do so ascribe it. It is our belief that had business remained normal during 1907 the Joplin ore producers would not have noticed the importations of zinc ore. That it is an afterthought on the part of some of the interested parties to place the cause of poor business in 1907 on Mexican ore is clear to anyone who will read the leading article in the Joplin Daily Globe of January 26, 1908. We quote from it the following:

The panic has proved that the ores of Mexico can not be produced under a 5-cent spelter market, according to the highest authority, and correspondence from a leading reliable source conveys the information that the halcyon days of the Mexican production are of the past—a history and recollection only—that the immediate future has little hopes in store for an early resumption of outputting, while transportation matters have become a serious problem, except through a few months of the summer.

The producing areas of the Rocky Mountain States practically ceased their production early in the panic, Wisconsin, with Joplin, continuing a small output to the end of the year.

In writing of the year's record of zinc-ore production, Walter Renton Ingalls, in the Engineering and Mining Journal, concludes his résumé in these words; "In any event, the experience of 1907 seems to show that these foreign ores are not serious competitors of the American, duty or no duty." Mr. Ingalls might have added that no importations of ores were made except to supply a demand in excess of the domestic production.

Digitized by Google

While the recent panic has proved that Mexican ores can not be produced under a 5-cent spelter market, it might be added thereto that Mexican ores are no competition to superior grade of ores mined in the Joplin district at any price for spelter. These ores will be imported only when the domestic supply of zinc ore is less than the demand of the smelters.

Another lesson the panic has forced home to the producers of the Joplin district, and to the smelters reducing the ore of this district, is the fact that the market for Joplin zinc ores rules the price of spelter in normal conditions of business. This means that with conservative production the producers of the zinc ore of this district can maintain their own price for their commodity, without reference to any other producing area under the sun, so long as those demands are in harmony with the general business conditions of the country at large.

This article we believe reflects the more intelligent sentiment of the United States ore producers, including those in Joplin. We appreciate that if, as is generally understood, Mr. Ihlseng is largely interested in the buying of Mexican ore as the agent of European smelters, he and others similarly situated would derive a peculiar benefit from a duty which would cut out the United States as a competitive buyer of Mexican ore, but we do not feel that an agent for foreign ore buyers should receive especial consideration from Congress. This feature we will take up later.

IMPORTED ORE HAS NOT DIMINISHED THE OUTPUT OF THE JOPLIN DISTRICT.

Imports of zinc ore into the United States.

[In tons of 2,000 pounds.]

Source.	1904.	1905.	1906.	1907.
British Columbia	2,100	8,561	600	1,157
Mexico	(?)	a 32,164	a 88,900	a 108,800
Total	(?)	40,725	89,500	109,957

a The actual tonnage of ore imported was somewhat greater than this figure, but it included some mixed ore, which for statistical purposes has been reduced to the zinc equivalent. This table is based on reports from the smelters of the ore received by them from these countries.—(From Mineral Industry, Vol. XVI, p. 904.)

From this last table it appears that the imports of 1907 exceeded those of 1906 by about 20,000 tons. Nevertheless, as appears by the first table, the Joplin district increased its production in 1907 over 1906 by 17,000 tons, while other districts seem to hold their own also. It would therefore seem clear that imported ore had not interfered with the domestic ore producers.

Joplin has, moreover, within itself an organization which affords a protection greater than would be secured by a prohibitive import duty.

The following extracts from the Engineering and Mining Journal show the methods of a very efficient inter-company organization, known as the "Missouri-Kansas Zinc Commissioners' Association," which, by timely exporting of ore, shutting down the mines, and otherwise controlling the supply of ore and fixing its prices, can protect the mine owners in times of ordinary business and hold up the ore buyers to such figures as suit the association.

Digitized by Google

Extracts from Engineering and Mining Journal of various dates.

(January 7, 1904, p. 15. Zinc in 1903, by W. R. Ingalls.)

In the Joplin market there was a small stock of ore on hand at the beginning of the year, and in order to bolster up the price an exportation of 1,000 tons was made in January, which, as it turned out, was a mistake. * * * In order to support the market the miners determined on the policy of operating their mills on part time or closing down entirely so as to restrict the output.

(January 14, 1904, p. 80. Progress of the Zinc Industry in Missouri during 1903, by Frank Nicholson.)

The Missouri-Kansas Zinc Miners' Association, acting in comparative harmony, caused a shut down of fully 70 per cent of all the mills in the district for a period of three weeks.

(January 21, 1904, p. 111. Letter and editorial signed "Zinc Miner.")

This centralization of control of the output makes it possible for a sufficient tonnage to be represented in any movement to regulate the surplus of ore.

(June 2, 1904, p. 907. Missouri Ore Market. Special correspondent.)

* * * as it is already evident that the ore producers are thinking strongly of restricting the output of zinc ore early this summer instead of waiting until fall, as has been the custom in past years.

(June 9, 1904, p. 947. Missouri Ore Market. Special correspondent.)

The owners of the larger mills have maintained a thorough organization of the Missouri and Kansas Zinc Miners' Association and another week of reductions in prices will see more restricting output.

(December 3, 1904, p. 934. Missouri Ore Market. Special correspondent.)

* * * But for the strong organization of the large producers, prices would not remain so high. This organization controls enough of the output to hold the balance of power in determining the market price.

(March 30, 1905, p. 630. Missouri Ore Market.)

It is evident from what may be learned that a secret organization of producers is preparing for a restriction of the output.

(April 6, 1905, p. 678. Missouri Ore Market.)

The producers will gradually restrict the output by closing down a few mills each week.

(May 4, 1905, p. 870. Missouri Ore Market.)

Prices are higher than it was expected to send them when the limited restriction in output was inaugurated the first of April.

THE SMELTERS ARE NOT IN ACCORD WITH THE DEMANDS OF MR. IHLSENG AND MR. MITCHELL.

Mr. Ihlseng is in error in stating to the committee that the zinc smelters in general approved the plan to place a duty on zinc ore. As we understand, the sentiment of the smelters is, as intimated by Mr. Clark's questions put to Mr. Ihlseng, directly opposed to the position of Mr. Ihlseng and Mr. Mitchell. The smelters feel that if the available supply of ore is materially reduced and the price materially advanced they can make spelter only at a cost which will make it dearer than imported spelter. This would affect not only the smelters and the consumers, but eventually the domestic ore producers themselves, who would find themselves to have been the means of putting their own customers out of business.

It is clear that a duty which precludes our smelters from buying Mexican ores would directly result in depressing the price of the ores

Digitized by Google

in Mexico and expose them for sale at a figure far below what European smelters must now pay for them. If the European smelters can get Mexican ore at a less price, they will make spelter for less, and may thus be able to put European spelter on the American market, in spite of the present spelter tariff of 1½ cents per pound, at a figure below that at which our smelters can produce it.

These are dangers which must not be lost sight of.

A PROTECTIVE TARIFF ON ORES IS ECONOMICALLY UNSOUND.

A protective tariff on ores is equivalent to a premium on the speedy exhaustion of certain natural resources, which, once used, can never be reproduced. This objection has been urged against a duty on lumber, which in time, will grow again; but it applies most strongly to ores, which do not grow.

EXPORTATION OF ZINC ORE.

A point has been made of the figures showing exportation of zinc ore from America. The exported ore consists wholly, we believe, of (1) ore sent from the Joplin district for the express purpose of creating a shortage in the domestic supply and thereby enhancing the price, and (2) willemite, a mineral produced from New Jersey ore by magnetic separation. Willemite is used only for one purpose, viz, the making of metal known in the trade as "high-grade" spelter. The demand for this metal is very limited, and all that the domestic market will stand is manufactured each year. The surplus willemite is marketed to the best advantage abroad, where it is manufactured into "high-grade" spelter for the foreign market. Outside the items above mentioned, we believe there is no exportation of zinc ore.

THE INTEREST OF THIS COMPANY.

The committee has been warned by one witness, who professes to be disinterested, that it should not place too much reliance on the testimony of interested witnesses. The representatives of the Joplin district make no concealment of their interest in asking for a duty on zinc ore. On the other hand, the smelters make no concealment of their interest in protesting against such duty, nor do we profess to be disinterested. Representing five zinc-smelting plants in the Middle West which have experienced a shortage in the domestic-ore supply and which have, at times, been forced to import ore, we sincerely hope that, in case of future emergency, we may not find it impossible to increase the supply of domestic ore by importing from other countries. It is, moreover, our desire to prolong as far as practicable the life of our domestic-ore properties, and we have thought it possible to mix foreign ores with our own and in some cases materially lengthen the life of our mines. If we should be successful along these lines, the benefit would be shared by the other owners of zinc-ore properties throughout the country.

We believe that out of the opposing arguments, in spite of the interest of the parties making them, the committee can reach a proper conclusion.

Digitized by Google

THE MEXICAN ZINC DEPOSITS.

The zinc ore heretofore imported from Mexico has consisted largely of gleanings from dumps of tailings at the old lead mines, and from abandoned lead mines where the ores were found to run too high in zinc for the uses of the lead smelters. From both of such sources the zinc ore was, from a mining standpoint, cheaply obtained because the tailings were piled on the surface and had only to be shoveled into carts or the mine was already opened up and ready for operation. For obvious reasons these two sources of zinc-ore supply are but temporary and are now, as we are advised, rapidly approaching an end. The alleged new discoveries of zinc deposits in Mexico have been greatly exaggerated. We have gone to considerable expense in the past five years in sending experts to search for such deposits in Mexico, but the results have been very disappointing. The known zinc deposits of importance in Mexico are comparatively few and their working is sure to entail much greater expense than the working of the tailings, dumps, and the abandoned lead mines. In the majority of zinc-ore propositions in Mexico transportation has been, and for many years will be, a matter of serious moment.

We should think it a simple matter for the committee, through a disinterested expert who is acquainted with conditions in Mexico, to verify the above statements.

CONCLUSION.

It is our conclusion, as the largest zinc-ore producer in this country, that the zinc-ore producers not only do not need a protective tariff on their ore but that such a tariff would be unwise from every point of view.

Respectfully sumbitted.

THE NEW JERSEY ZINC COMPANY.
By S. S. PALMER, *President.*

HON. GUSTAV KÜSTERMANN, M. C., FILES LETTER OF M. F. FOX, MADISON, WIS., FAVORING DUTY ON ZINC ORES.

MADISON, WIS., *January 4, 1909.*

Hon. GUSTAV KÜSTERMANN, M. C.,
House of Representatives, Washington, D. C.

DEAR SIR: Doubtless you are aware of the intense agitation now before the Committee on Ways and Means for a protective tariff on raw zinc ores. This is a measure of vital importance to the zinc-mining industry, which is just getting a foothold in southwestern Wisconsin. If the industry could only receive protection sufficient to equal the difference in cost of production of zinc ore in this country as compared with Mexico, it is the belief of those who are familiar with the situation that Wisconsin would within three years be producing $5,000,000 to $6,000,000 worth of zinc per annum. Its present production amounts to about $2,000,000.

Digitized by Google

The inclosed sheet will show the output of this district for the years 1906, 1907, and first forty-seven weeks in 1908, a steady increase in spite of hard times and very unfavorable ore market.

Any further information you may desire I will cheerfully furnish if it is at my command.

Yours, very truly, M. F. Fox.

EXHIBIT A.

Output of zinc and lead sulphur ores in southwestern Wisconsin district.

	Year 1906.	Year 1907.	Forty-seven weeks—Jan. 1 to Nov. 21, 1908.
	Tons.	*Tons.*	*Tons.*
Zinc	39,919	49,719	47,104
Lead	1,126	2,645	4,672
Sulphur (pyrites)	1,822	160	2,136

THE CORTLAND (N. Y.) SPECIALTY COMPANY CLAIMS THAT A DUTY ON ZINC ORE IS A NECESSITY.

CORTLAND, N. Y., *December 30, 1908.*

Hon. SERENO E. PAYNE, M. C.
House of Representatives, Washington, D. C.

HONORED SIR: There will be a question before your committee at this session of Congress, so I am informed, in regard to the protection on zinc now being mined in this country. All those who are interested in the mining and own mines no doubt will bring to your attention the existing conditions. We are interested in zinc mining in Miami, Okla., our company known as the Chatham Oil and Gas Company, Mr. William Kinley, Olean, N. Y., of Adam Kinley & Sons, Mr. C. H. Kinley, Breesport, N. Y., of Adam Kinley & Sons, my brother at Miami, Okla., and myself at Cortland, N. Y., own a mine at Miami, Okla., and our production is largely zinc and some lead.

We are aware that the American smelters purchase all the Mexican zinc ore, as it regulates the market price here, from the fact that zinc ore is mined in Mexico with silver, the zinc being a by-product; their object is to mine silver. Their largest item of expense is the freight, labor being a small item. From 30 to 60 cents per day in that country is the ruling price paid the miner. With the volume of zinc ore now being produced and shipped into this country free of duty causes the price to remain at its lowest ebb. We have to employ union men and pay from $3 to $5 per man for eight hours per day.

Under these stringent conditions with the most rigid economy we can produce zinc and lead combined at a small profit on our investment. From the fact that a large percentage of our product is zinc and the smaller percentage is lead there is a protection on lead of 1 cent per pound, or $20 per ton, which is a great help to us. However, lead is now selling at $52 per ton for the pure product. Zinc

Digitized by Google

ore was as low as $30 per ton in August, 1908, and as there is some iron in our zinc ore which reduces the value to about $24 per ton, they deduct $1 per ton for each "unit point amount of iron" that the zinc ore contains after being taken from the rock.

If we had a protection on zinc ore it would help the business to a great extent, from the fact that zinc ore is admitted free of duty from Mexico. Zinc ore has been advancing some of late. The last quotation was $44 per ton, but this is fluctuating and is the highest point it has reached since we have been in the business, about a year and a half. There are a great many lead and zinc mines in Missouri, Kansas, and Oklahoma. While the Congressmen and Senators from Oklahoma would be glad to see a protection on zinc, they are Democrats and could not recommend it as it is against their doctrine. We, as Republicans, when we go out to that country—and a great many eastern men are interested—feel the necessity of a protective tariff on zinc ore, and would ask you to look into this matter and give it your careful consideration. There was a session of the United Mine Workers held at Pittsburg last month strongly urging a protective tariff on zinc ore. This was adopted, and you no doubt have a copy of that report.

I have been corresponding with Hon. John W. Dwight, our Congressman from this district, and in his letter of December 25 he requested me to write your Committee on Ways and Means with information on the subject that may be available.

You no doubt have considerable data on the subject, but it is one that is worthy and meritorious of the consideration of your committee and it would be a Godsend to the people who have money invested in zinc-mining properties in the West and throughout this country to have a protective tariff of some sort to protect us against the influx of this material from a country that largely depends upon us for their market to the detriment of our own interests.

Yours, respectfully,

THE CORTLAND SPECIALTY CO.,
Per W. W. HOUT, *President.*

GEO. P. MAURY, JOPLIN, MO., SUBMITS BRIEF IN ADVOCACY OF A DUTY ON ZINC CONTENTS OF ORE.

JOPLIN, MO., *December 31, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: In behalf of the companies which I represent, I wish to submit the following facts relative to a tariff on zinc ore.

A duty of 1½ cents per pound on the zinc contents of imported ores, for which we ask, will not only provide revenue, but will make a stable market for zinc ore at a price which will enable the zinc mines in this country to run steadily, and furnish employment to at least 5,000 more men than are now employed and at an increase in wages of from 25 to 30 per cent. In normal times the Missouri-Kansas district alone employs about 11,000 men in the mines, and there are as many more wage-earners in the United States that will be affected by the duty for which we are asking.

Digitized by Google

The following tabulation shows the valuations of Mexican ore and cost of production of zinc ore in Mexico and the Missouri-Kansas district, and a comparative cost of production in Mexico and Missouri-Kansas district.

The Bureau of Commerce and Labor gives the following importations of zinc ore (marked calamine, nondutiable) and total valuations. The rate per pound is calculated on basis of 2,000 pounds to the ton.

1908.	Tons (long).	Valuation.	Value per ton 2,000 pounds.
January	1,610	$17,302	$9.52
February	2,038	25,251	11.06
March	.....	.....	.....
April	890	9,865	8.99
May	2,258	27,614	10.91
June	4,359	43,871	8.98
July	4,219	31,855	6.76
August	474	5,113	9.63
September	1,828	22,216	10.85
October	823	10,627	11.53
Total	18,499	193,714	.....

Average value per ton of 2,000 pounds	$9.35
Freight from port of entry to Kansas smelters	3.85
Total cost delivered at Kansas-Oklahoma smelters	13.20

Mr. Pulsifer gives the cost of producing 1 ton (2,000 pounds) of zinc ore in Mexico and delivering same to Kansas-Oklahoma smelteries as follows:

	Mine No. 1.	Mine No. 2.	Mine No. 3.	Average.
Mining, picking, hauling, and loading in cars	$4.00	$5.50	$5.25	$4.91
Freight to Kansas smelters	5.57	8.07	7.07	6.95
Total cost	9.57	13.57	12.32	11.86

Average cost for ton of 40 per cent ore at smelter (containing 800 pounds zinc)	$11.82
Cost, 1½ tons (containing 1,200 pounds zinc)	17.73
Duty on 1½ tons (1,200 pounds metal, at 1½ cents per pound)	18.00
Cost of 1½ tons of Mexican ore, including duty (containing 1,200 pounds of zinc), and equal to 1 ton of 60 per cent ore (Standard Missouri-Kansas district)	35.73

Cost of producing zinc ore concentrates in the Missouri-Kansas district, average cost for 10 representative mines, is as follows:

	Per short ton.
Average labor cost	$17.02
Average powder, supplies, etc	11.60
Average amortization cost	4.31
Average royalty 12½ per cent (on $40 base, 60 per cent ore)	4.85
Hauling and loading on cars	.50
Freight to Kansas-Oklahoma smelters	.67
Total cost per ton of 2,000 pounds 60 per cent zinc ore containing 1,200 pounds zinc	38.95

Digitized by Google

Comparative actual cost of delivering at the Kansas-Oklahoma smelters zinc ore from the Missouri-Kansas district and the Chihuahua district of Mexico.

	Cost per ton.	Cost per pound.
Missouri-Kansas district, 1 ton of 2,000 pounds, which contains 1,200 pounds metal..	$38.95	[a] 3.25
Chihuahua, Mexico, district, 1 ton of 2,000 pounds, 40 per cent, which contains 800 pounds metal.....	11.82	$1.48

[a] Cents.

Difference in favor of Mexico, 1.77 cents per pound of zinc.

REVENUE AND IMPORTATIONS.

The mineral industry for 1907 (vol. 16, p. 904) gives importations of Mexican ore for the year of 1907, 108,800 tons. At $12 per ton (which is 1½ cents per pound on 40 per cent ore), the Government would have received in revenue $1,305,600, where no revenue will be derived from these importations unless the present court decisions are reversed.

Profit in producing Mexican ore at the present price of zinc ore, 1½ tons of Mexican ore of 40 per cent zinc equaling 1 ton of ore of 60 per cent zinc, standard of Missouri-Kansas district:

1 ton of 60 per cent zinc is worth to-day, December 9, 1908.....	$44.00
1½ tons 40 per cent Mexican ore contains 1,200 pounds metallic zinc, at 1½ cents per pound.....	18.00
Balance received for 1½ tons of ore after deducting duty.....	26.00
If 1½ tons of ore are worth $26, 1 ton would be worth.....	17.33
Freight from mines to Kansas-Oklahoma smelters.....	6.91
Net amount received for 1 ton of ore.....	10.42
Cost to produce 1 ton of Mexican ore.....	4.91
Net profit in producing 1 ton of Mexican ore (after paying duty of 1½ cents per pound).....	5.51

which is equal to 112 per cent profit on cost of production, and with this amount of profit importations can be expected to continue under the duty we are asking.

The zinc mining in Mexico does not generally require expensive machinery. It is in many cases simply a quarrying proposition, as shown by a copy of affidavit (Exhibit 3) which was filed by the plaintiffs in the suit of Brewster *v.* United States Government, protesting against a duty being imposed on zinc ore, which case is now pending in the courts.

In other cases it is a secondary product obtained in the mining of lead-silver ores and is produced very cheaply, as the ore must be handled to get the lead-silver ores.

The same duty should be imposed on zinc ore as there is on lead to-day—viz, 1½ cents per pound on the metallic zinc contained in the ore. It costs just as much in this district to produce a ton of zinc-ore concentrates as it does lead-ore concentrates, the lead and zinc ore occurring in the ore associated together in variable portions. They are broken by the same powder, handled by the same men,

Digitized by Google

crushed by the same crusher and rolls, cleaned on the same jigs, and all is done in one operation, and the total lead ore recovered in this district is about 14 per cent of all concentrates produced here.

A small amount of the output of lead ores of the district is mined from small, shallow, soft-ground pockets; but it is a very small percentage of the total lead produced, and owing to the variable conditions under which it is mined no satisfactory cost of production of this class of ores can be obtained.

In this connection I desire to submit the following corroboration of my claim relative to the close association of lead and zinc in mining:

[Editorial, Engineering and Mining Journal, September 29, 1906.]

LEAD AND ZINC.

Lead and zinc are closely associated in nature, their ores commonly occurring in conjunction, especially their sulphide ores. There is less association of their oxidized or carbonate ores, since in the process of oxidation the original zinc sulphide is converted first into sulphate, which is very soluble and may therefore be leached away by some action of nature; but in a large number of cases, as for example at Leadville, Colo., the occurrence of pure lead carbonate ores above the water level is followed by the occurrence of mixed lead and zinc sulphides below the water level. Both lead-sulphide ore and zinc-sulphide ore occurs alone, but the occurrence in association is more common, and the importance of the joint consideration of the two metals from the industrial standpoint increases as the oxidized ores are exhausted and the smelters have to fall back on the sulphide ores, which have already become by far the more important, both in the metallurgy of lead and zinc all over the world. (Geological data omitted.)

In their metallurgy there is also an intricate association of the two metals. In the first treatment of the ores, by jigging or other method of separation, there is generally obtained a galena concentrate, which goes to the lead smelter for the recovery of its lead content, and a blende concentrate, which goes to the zinc smelter for the recovery of its zinc content. With few exceptions, the crude ore has first to be separated in some such manner. The limitations of mechanical practice do not, however, permit a clean separation of the mineral to be made, save in rare instances, and the lead concentrate consequently almost always contains some zinc, and, vice versa, the zinc concentrate contains some lead. The presence of zinc is objectionable to the lead smelter and the presence of lead is objectionable to the zinc smelter, but in neither case does the presence of the other metal in limited proportion prevent successful smelting. But while the lead smelter is bound inevitably to lose all the zinc contained in the lead ore that he smelts, the zinc smelter may recover a large proportion of the lead in the zinc ore after the zinc itself has been extracted.

Thus a very large portion of the pig lead produced in Belgium is recovered from zinc-ore residues, and this practice has been inaugurated in the United States and is without doubt destined to increase in importance.

Finally, the chief use for pig lead is in the manufacture of white-lead pigment, and one of the large uses of zinc is in the manufacture of white pigment, which in the trade is a direct competitor of white lead; while lead and zinc oxide are to a large extent used in a pigment compounded of both, so that it is conceivable that the lead and zinc which existed originally in the same ore deposit and were mined and separated by a common operation might be smelted by a combination process, and finally, after conversion into finished products, might be mixed again for use in the arts and be subject to common dissipation under the action of weather and time.

The duty of 1½ cents per pound will not create abnormal prices for ore, nor will it prohibit importations, as the Mexican ore can be produced and delivered at the smelters at a profit at $40 per ton for a 60 per cent ore, but it will prevent the price of ore going much below $40 per ton, which is necessary for continuous operation of the zinc-ore mines of this country.

What the zinc-ore producers desire is a stable market at fair prices. The prices received to-day are satisfactory, but we are confident that the price of to-day is being manipulated by the smelters, and if all

Digitized by Google

the mines were started on full time and if there was no tariff legislation pending it would only be a very short time until the price of ore would be down to $28 or $30 per ton, where it was last July when the present movement for a tariff on zinc ores was inaugurated; and as the mines in Mexico are further developed and as they get better transportation facilities, etc., and increase their output, it can have but one effect, viz, that of reducing the prices of domestic ore, and very probably below that of July, 1908.

The zinc industry of the Missouri-Kansas district is carried on principally by small operators, and while there are a few large companies this is not the rule. The greater part of the mining is done by corporations composed of many small stockholders and copartnerships called "companies," which usually consist of many partners owning anywhere from one-half to one thirty-second interest, as they may agree. In a great many cases these small companies are composed of wage-earners who carry their portion of the expense of development out of their daily or weekly wages, and when they develop a good mine they sell it to an individual or company who has capital to build a mill or give some one an interest in the mine for machinery, mill, etc., necessary to separate and clean the ore ready for market. I do not think that it is an exaggeration when I say that 90 per cent of the mines of the Missouri-Kansas district have been developed in this way.

The large majority of these mines have little if any working capital and must, therefore, sell their ore weekly to meet their weekly pay roll and other running expenses. The smelters know this, and if they can stay out of the market for a few weeks and allow a surplus to accumulate they are able to bear the market, and they use this method of forcing the market down, knowing that a majority of the producers must sell their ore to get the money to meet pay rolls and current expenses. Being able to obtain cheap Mexican ore furnishes the smelters a greater opportunity to do this than if they had to pay a higher price for foreign ore.

Exhibits Nos. 1 and 2 show comparative wages paid in 1907–8 for two representative mines of their class. No. 1 is what is termed a "soft ground mine." No. 2 is a very large sheet ground mine, and what is true in regard to reductions in wages in these mines is true of every other mine in the district that has run at all during 1908. Many mines shut down rather than run at a loss.

EXHIBIT No. 1.

	May, 1907.	May, 1908.	Reduction.
			Per cent.
Foreman, per week	$25.00	$21.00	14
Jig man, per week	25.00	16.50	34
Hoister man, per day	2.75	2.00	27
Machine man, per day	3.00	2.25	25
Back man, per day	2.50	1.75	30
Shovelers, per can	.05	.03½	30
Laborers, per day	2.50	1.75	30
Engineer	2.75	2.00	25
Face man	2.50	1.75	30

Digitized by Google

EXHIBIT No. 2.

	October, 1907.	October, 1908.	Reduction.
			Per cent.
Foreman, per week	$30.00	$20.50	31.67
Jigman, per week	30.00	20.50	31.67
Hoisterman, per day	3.00	2.50	16.67
Machine man, per day	2.75	2.25	18.18
Back hand, per day	2.25	1.75	22.22
Shovelers, per can	.09	.06	33.33
Laborers, per day	2.00	1.50	25.00
Engineers, per day	2.50	2.00	20.00
Mine helpers, per day	2.50	2.00	20.00

EXHIBIT No. 3.

CONSULATE-GENERAL OF THE UNITED STATES,
Monterey, Mexico, ss:

MONTEREY, MEXICO, *September 12, 1906.*

T. H. Brown, being duly sworn, says that he is familiar with and has seen the calamine ore as it is taken from the mines and made ready to be placed in the cars and shipped to the United States at the Mexican Lead Company's mines in the State of Nuevo Leon, Mexico, and that the method of so getting ready the ore for shipment is as follows:

The ore occurs in solid veins or deposits and is blasted out. Any of the adjoining rock that may be, by accident, blasted out with the ore is sorted out by hand, afterwards the ore is broken down to a convenient size with hammers for transportation to the railroad, when it is loaded in cars for shipment.

T. H. BROWN.

Sworn to before me this 12th day of September, 1906.
[SEAL.]

PHILIP C. HANNA,
Consul-General of the United States.

Respectfully submitted.

GEO. P. MAURY,
Manager Relay Mining Company,
Secretary and Treasurer Franklin Mining Company,
Joplin, Mo.

HON. W. H. ANDREWS, DELEGATE FROM NEW MEXICO, SUBMITS LETTER OF C. T. BROWN, SOCORRO, N. MEX., RELATIVE TO LEAD AND ZINC ORES.

SOCORRO, N. MEX., *December 24, 1908.*

Hon. W. H. ANDREWS,
Washington, D. C.

DEAR MR. ANDREWS: Yours of the 19th received and contents fully noted. I was aware of your position concerning the tariff on lead. I think for the best interest of the lead mines of the West that the present tariff should not be changed.

The situation on zinc is, however, very different. The most of the zinc ore imported from Mexico is "oxidized ore" (carbonate and silicate), which enables the smelters to use a large amount of the complex sulphides of the West, which they otherwise could not use, only for the assistance of the highly oxidized ores from Mexico, which are identical with that class of ore produced in the Magdalena district.

You will note that the New Jersey Zinc Company owns the largest zinc mine in the world, and that they are also very heavy owners of

Digitized by Google

zinc-producing properties in the Middle West—Colorado, New Mexico, and old Mexico—and that they believe that a tariff on zinc ore pro-
and old Mexico—and that they believe that a tariff on zinc ore pro-
hibiting its importation into the United States would direct that product to Europe, which would flood that market and depreciate the price of metals in the markets of the world, working eventually against the producers of zinc ores in the United States. I simply offer the above as a suggestion, which investigation will confirm.

Thanking you for all past favors and with kind regards, I am,

Very truly, yours,

C. T. BROWN.

S. C. EDGAR, OF THE EDGAR ZINC CO., ST. LOUIS, MO., OBJECTS TO IMPOSITION OF DUTY ON ZINC ORE.

SECURITY BUILDING,
St. Louis, December 23, 1908.

Hon. E. J. HILL, M. C.,
Washington, D. C.

DEAR SIR: I called upon you in Washington Friday of last week, and was disappointed in not being able to see you.

My errand, as the inclosed letter of introduction to you from Mr. Brooker would indicate, was to give you some information concerning the zinc-ore question, which has been up before your committee for consideration. As I was unable to see you I am resorting to this means of communicating with you.

It is not my purpose to go into the detail of this matter, as all the facts, figures, and statistics have been covered quite exhaustively by the briefs of the various smelters and users of zinc ore now before your committee.

In a general way I wish to say to you that it is a question of supply and demand with us. The requirements of zinc ore have largely outstripped its production in the United States during the last several years, and as a consequence users of zinc ore have been compelled to go into other localities, outside of the United States, to supply what the domestic production is unable to meet.

As is indicated by Mr. Brooker's letter, it is not only a vital matter with the producers of spelter, but also a matter of vital importance to the brass mills in your district. Should the tariff be placed on zinc ore, it would at once create a shortage in our finished product by the closing down of just that much of our capacity that has depended upon foreign ores, and, of course, our finished product is raw material to the brass mills, and they in turn would be compelled to provide themselves from abroad with what we are unable to furnish.

If you will go over some the briefs the smelters have filed with your committee, you will see that the price for zinc ore in the Joplin district has not only not been reduced through the importation of foreign ores, but, to the contrary, has been very materially increased, figures showing that for the years 1905, 1906, and 1907 they have been paid fully $8 a ton more, on an average, for their output than ever before. I take these years as a basis, as it has only been within this time that foreign ores have come into this country.

Digitized by Google

The domestic production of zinc, or "spelter," as it is known commercially, has increased within the last ten years 100 per cent, whereas the Joplin district has only been able to increase its output a scant 10 per cent during this time, which of course accounts for the outside prices they have obtained in recent years. The zinc-smelting industry is to-day facing a shortage of raw material, even with the ores of Mexico and British Columbia being available, and all facts and figures connected with the case will substantiate this statement. We can not, therefore, view the sentiment of the Joplin miners other than that of being prompted by a selfish motive. It would appear from their attitude that they, not being able to furnish the material themselves, do not wish anyone else to do so. Of course, there are other producing localities in the United States than Joplin, the most notable being the Wisconsin deposits and those of Colorado. Out of a production of spelter for 1907, 255,000 tons, only 26,000 tons were made from Colorado ores, 15,000 from Wisconsin, 13,000 from New Jersey. Wisconsin may continue to be a producer of zinc ore, and Colorado may also, but the conditions of Colorado have very materially changed within the last three years. Up to that time the zinc production was in the nature of a by-product from their lead-silver product, and now that these deposits have been worked out it is possible that Colorado in future will supply even a less amount than in the past.

The position the smelting industry takes, summed up in the aggregate, is that there is a constantly increasing shortage of raw material, and if our domestic consumption of spelter is to increase in the same ratio the next ten years as it has in the past ten the whole industry will be confronted with a very disastrous condition if we are to be deprived of foreign ores. We take the position that instead of these ores coming to the United States, as they certainly would not under a duty, would go to foreign countries, and the users of spelter would be compelled to supply a part of their requirements with foreign spelter. Owing to the shortage which has existed in our raw material, we have been compelled to pay the Joplin miners during the past three years prices that we could ill afford, based on the price of our finished product, and as a consequence we have been compelled to pay the Joplin mine operator and the Joplin landowner moneys we believe rightfully belonged to our own labor. To give you an idea of the items entering into the cost of spelter, 80 per cent of the total cost is chargeable to ore; from 8 to 12 per cent labor; the balance fuel, repairs, maintenance, etc., and we feel that we ought to have a little bit more for our labor than is shown in these figures, which certainly could not be brought about by increasing the now existing shortage in raw material. The ores we have been importing have been vastly different in character than those produced by the Joplin mines. The Joplin miner has the advantage of having the richest zinc ore in the world, while the ores we have imported are oxidized ores, being much lower in grade, and produced only at a great inconvenience, which an undeveloped country such as Mexico subjects this industry to. These ores, under the Dingley bill, are free, but unfortunately there has arisen a controversy between the Government and the smelting industry over the interpretation of the word "calamine." While calamine is on

Digitized by Google

the free list, the Government has seen fit to separate calamine ores, calling some of them dutiable and some of them free. That part which they have designated as being dutiable is now the subject of litigation and is being decided in our favor as fast as the delays of the law will allow, and all duties that have been paid have been done so under protest, with the firm belief that every dollar the Government is retaining will be eventually paid back. If this is not the case, and the present litigation is decided unfavorably to the smelting interests, the whole business, both to the miner in Mexico and ourselves, would be unprofitable, as the ores are so low in grade and are produced under such unfavorable condition that in the event of a further amount being added to their cost in the form of any duty at all will drive them to countries where they have free access.

It seems to me, Mr. Hill, very wrong to tax not only the smelters but also the consumers of spelter, to favor a local spot on account of their loose methods and failing mines. About thirty years ago the writer purchased 60 per cent ores in the Joplin district for from $15 to $20 per ton; I then sold my metal for about 5 cents a pound. To-day the smelting industry is paying for these same ores, assaying 60 per cent, $40 per ton and upward, and spelter is a slow sale at 5 cents a pound. Now, this must show conclusively that we have used great efforts to reduce our costs. I will not deny the fact that it costs the Joplin miner more money than it did thirty years ago, but I do not think the industry should be taxed for their negligence. I would much rather stand a reduced duty on our finished product, spelter, than see a duty placed on our raw material, and 1 cent a pound on finished spelter, in my estimation, would be ample to give the American miner and the American smelter all the protection they are entitled to. The difference in the average price in London and the average price in New York during the past ten years has been less than three-fourths of 1 cent a pound.

For the above reasons I fail to see the necessity of maintaining the present duty of 1½ cents a pound.

We have been furnished by a concern interested in smelting zinc ores—in both this country and abroad—the following table, which shows what the Joplin mine operator would have received for 60 per cent ore if the ore had been sold to foreign smelters on specified dates:

Date.	St. Louis spelter price per pound.	60 per cent ore on European formula per ton.	Joplin base price for 60 per cent per ton.
	Cents.		
July 11, 1908	4.2875	$29.34	$34.00-$36.00
July 25, 1908	4.375	30.20	33.00-36.00
August 22, 1908	4.525	31.69	36.00-37.00
September 5, 1908	4.575	32.18	37.00
September 26, 1908	4.625	32.67	37.50
October 3, 1908	4.625	32.67	38.00

From this table it would seem that the smelters in this country have paid from $4 to $6 more per ton for 60 per cent ore to the Joplin miner than he would have received had he sold his ore on European formula.

Digitized by Google

I have endeavored to go into this matter quite fully in the form of a letter, but feel that, owing to Mr. Brooker's courtesy in giving me the letter of introduction to you that he did, should you require any further information on the subject I would go to Washington and have a personal interview with you at any time after the first of the year.

Yours, very truly, S. C. EDGAR,
President Edgar Zinc Co.

ZINC ORE.

S. DUFFIELD MITCHELL, CARTHAGE, MO., FILES SUPPLEMENTAL BRIEF RELATIVE TO ZINC ORE.

CARTHAGE, MO., *January 19, 1909.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: With no desire to add more to the already too cumbersome record of your "Tariff hearings," it is yet my duty to attempt to answer some of the statements of fact and argument made in the briefs of the various smelters now on file with your committee, and particularly to the letter of Mr. A. B. Cockerill of date December 14, 1908, in which he attempts to answer some statements made by me in a brief filed November 25, 1908.

First. In reference to Mr. Cockerill. Mr. Cockerill brands certain statements I made as "a glaring misstatement, and Mr. Mitchell should know it."

I quote as follows from my remarks before your committee:

> Mr. Cockerill, the smelter of Kansas, says that when the St. Louis price of spelter is $5 he can buy 40 per cent Mexican ore at his smelter for $18 a ton; that is, 40 per cent ore. That is $27 a ton for 60 per cent ore, because it takes a ton and a half of 40 per cent ore to equal a ton of 60 per cent ore. That would reduce the price that we would be bound to take for our ore to $27 a ton, if these immense deposits of Mexican ore come in and flood our market and put us out of business.

I repeat that it takes a ton and a half of 40 per cent ore to equal one ton of 60 per cent ore, so far as the metal contents are concerned. Thus, 2,000 pounds of 40 per cent ore contain 800 pounds of metal, and 2,000 pounds of 60 per cent ore contain 1,200 pounds of metal. This demonstration can not be denied; it is too apparent for contradiction. What it costs Mr. Cockerill (in view of the fact that he speaks of smelting costs) to smelt a ton of 40 per cent ore or a ton of 60 per cent ore, no one knows but he.

It is well known to metallurgists that the cost of smelting silicate and carbonate ores of zinc (such as Mr. Cockerill buys in Mexico) is very much less than the cost of smelting the sulphide ore which the Missouri-Kansas district produces. This is true because the latter must be calcined (i. e., so thoroughly roasted that all the sulphur is driven off before being placed in the retort for smelting to procure the spelter). The former ores need no calcination and are placed directly in the retorts, and the spelter is obtained without calcination.

Calcination includes a large portion of the smelting cost, because in pure sulphide zinc ores 33 per cent is sulphur and 67 per cent zinc; and this 33 per cent of sulphur must be roasted or burned out before the ore is placed in the retort to procure spelter.

Digitized by Google

Mr. Cockerill could give valuable information to your committee as to smelting processes and costs were he to appear personally to testify. It is unfortunate that he failed to do so.

Mr. Cockerill's proposition is quite different from mine when he states that on December 10, 1908, the Joplin base price of 60 per cent ore was from $43.50 to $44 a ton and the price of 40 per cent ore was from $18 to $21 per ton.

The method of buying zinc ore is as follows: Sixty per cent ore (that is, 2,000 pounds of ore, which contains 1,200 pounds of metal) is the accepted standard of quality. A $44 base means that a 60 per cent ore sells for $44 per ton. Now, ores grade above and below 60 per cent standard. For every 1 per cent above or below 60 per cent a dollar per ton is added to or subtracted from the price. Thus, on a $44 base a 63 per cent ore would bring $47 per ton; a 57 per cent ore would bring $41 per ton; and Mr. Cockerill is quite right when he claims that a 50 per cent ore would bring $33 per ton. There is no difference between Mr. Cockerill and me on that proposition. Yet for the week of January 10, 1909, 40 per cent ore in this district was sold for $17 and $18 per ton.

But Mr. Cockerill is attempting to befog the situation and adroitly lead your committee from the true consideration of the facts. Mr. Cockerill speaks of Joplin; I of the future zinc-producing possibilities of Mexico.

My statement that, with St. Louis price of spelter at $5 per hundred, 40 per cent Mexican ore was laid down at the Kansas smeltery for $18 per ton, was based on what Mr. Cockerill said at Joplin, in June, 1908, before 100 mine operators. The contract with Mr. Robertson (Mr. Cockerill's ore-purchasing agent), made on February 16, 1907, with a Mexican concern, which is partially set forth in Mr. Cockerill's letter, fully vindicates what I have claimed. It provides that when St. Louis price of spelter is $6 per hundred, 40 per cent Mexican ore is worth $24 per ton; that "for each variation of 1 cent above or below $6 the sum of 5 cents will be added to or deducted from the price per ton." Now, under the provisions of this contract, when St. Louis spelter is $5 per hundred it can be readily calculated that the 40 per cent Mexican ore would bring $19 per ton. I stated $18 per ton; so the difference between Mr. Cockerill and me is slight.

Again, Mr. Cockerill is fighting a shadow when he states that I claim "that Mexican ore can be laid down at the Kansas smelters at $11.82 per ton, actual cost, for 40 per cent ore," and that he will be glad to submit receipted bills showing that he is paying $21 per ton for this grade of ore.

I did not say that Mr. Cockerill paid $11.82 per ton; the Mexican mine operator is entitled to a profit, and it is pleasant reading to us to know that the Mexican miner makes over $9 per ton through the munificence of Mr. Cockerill, who admits that I "have been paying it for six months or more."

Mr. Cockerill wrote an article for the August, 1908, Mexican Mining Journal, which was incorporated in its editorial, and the editor thereof made the following statement in reference to the Mexican mining situation:

> At the present time many of the zinc mines in the northern part of Mexico are increasing their output under the stimulus of prices on the basis of a guaranteed price for spelter in excess of the St. Louis quotations on the spelter.

Digitized by Google

During June, 1908, the base price for 60 per cent Missouri-Kansas ore was $33 per ton. Little 40 per cent zinc is produced in this district. At times a mine will produce a low-grade ore which will assay about 40 per cent. Such ore in Joplin in June brought $13 per ton, while Mr. Cockerill admits that he was paying $21 per ton for same grade of Mexican ore. In fact, when ore was selling on a $35 base price in Joplin during the summer of 1908 the product of a mine here assaying 40 per cent sold for $14 per ton. In other words, during the month of June Missouri-Kansas ore was upon a basis of $33 and Mexican ore upon a $41 basis. This demonstrates the "fine Italian hand" of the smelters to stimulate the ore production of Mexico and to discourage the Joplin district.

The gist of the whole thing was well expressed by Mr. Cockerill in June, 1908, when he said: "Well, I will admit that we did get our ore from Mexico because we could make a bigger profit."

The smelters raise the "hue and cry" that the United States can not produce sufficient ore to supply the smelters. Briefs on file quite well answer that argument. And in considering smelter capacity, your committee is requested to bear in mind the statement made by Mr. Cockerill at Joplin in June, 1908, that at no time can more than 80 per cent of the total smelter capacity be in full operation. This condition is due to the fact that retorts are constantly burning out and must be renewed. Thus the furnace must be put out of commission, whilst these renewals and repairs are being made. The fact that the Missouri-Kansas district for 1908 showed a decrease in ore of only 37,500 tons less than the production of 1907 (see page 1778), demonstrates what this district could do in normal times and at adequate prices. During 1906 and 1907 many new mines were opened, and, whilst many mines have closed down during 1908, an effort was made by others to operate merely to make expenses and give men employment. Some mines have been leased to employees, who have operated them and thus eked out a skimp living. This explains the comparatively small decrease in 1908 ore production.

But from the viewpoint what difference does it make, if the United States can not produce all the ore required?

The Government needs the revenue. Why should not the smelter contribute his fair share of it? He enjoys a protective duty of $30 per ton on spelter, $40 per ton on sheets, and $20 per ton on scrap, under paragraph 192 of the Dingley bill. The New Jersey Zinc Company, at page 4344, petitions your committee for a high duty on zinc dust, its product, but insists, in its elaborate brief filed January 5, 1909, that ore be kept upon the free list.

During the four years of 1905–1908, inclusive, over 300,000 tons of ore have been imported. Assuming that this ore contained 40 per cent of metal, this gives 120,000 tons of metal upon which duty would be taken; at $12 per ton (i. e., 1½ cents per pound) it will thus be seen that the Government has lost over $1,440,000 of revenue by reason of an oversight in the Dingley bill.

It may be of interest to state that on January 9, 1909, over 5,250 tons of unsold ore remained in the bins of this district.

A remarkable and very significant object lesson of the menace of foreign ore is taken from "Advance statement of production of spelter in the United States in 1907," issued by the United States Geological Survey.

Digitized by Google

The spelter produced from foreign ore was 26,115 tons. The stock of spelter at the close of the year was 26,364 tons. The increased production of spelter in the United States was 25,090 tons.

Mark the close similarity of all these figures.

The proposed legislation which the domestic ore producers urge is that calamine, paragraph 514, be stricken out and that paragraph 181 be amended to read as follows:

"Lead-bearing ore of all kinds, 1½ cents per pound on the lead contained therein; zinc-bearing ore of all kinds, 1½ cents per pound on the zinc contained therein: *Provided*, That all ores imported which contain both lead and zinc shall pay 1½ cents per pound on the lead contained therein, and also 1½ cents per pound on the zinc contained therein: *And provided*," etc.

It is urged and believed that this proposed paragraph is fair and defensible in both theory and fact.

First it is desirable to avoid the complications and pitfalls of the "component material of chief value" clause of section 7 of the Dingley bill. The decisions are full of absurdities under this clause.

Let the point be illustrated in the following manner: Lead ore of standard quality in the Joplin district is 80 per cent metallic contents and the zinc ore of standard quality is 60 per cent metallic contents. Now, suppose the price of lead ore be $60 per ton and the price of zinc ore be $45 per ton, it will be found that each ore is selling for exactly the same price per pound of metallic contents. In 2,000 pounds of such mixed lead and zinc ores, it will be found that 1,143 pounds of zinc ore equal in value 857 pounds of lead ore.

It was said by the board of General Appraisers (see *In re Chichester*, 48 Fed. Rep., 281) that it is not unlawful deliberately to mix ores for the purpose of shifting the classification thereof.

Now, 60 per cent of 1,143 pounds of zinc ore would contain 685.8 pounds of metal, and 80 per cent of 875 pounds of lead ore would contain 685.6 pounds of metal. The duty under the proposed law would be the same upon each ore, viz, $10.28.

Now, increase by a few pounds only the lead ore of the zinc ore and the bulk becomes classifiable under the "component material of chief value" clause, either as lead ore, or as zinc ore, as the importer might design. The lead ore and the zinc ore can be readily separated by our concentrating process. It is quite common practice in this district to separate the two ores so closely that the zinc ore will contain less than one-half of 1 per cent lead.

I make no suggestion that such act will ever be done, and distinctly make no reflection upon any one's integrity, but I make the proposition that an importer of zinc ore could, with the price conditions as above stated, import 2,000 pounds of mixed ore containing 1,150 pounds of zinc ore and 850 pounds of lead ore, pay duty on the zinc ore contents; pay no duty on the lead ore contents; separate the lead ore from the zinc ore and sell the lead ore to a lead smelter; and very probably profit by the operation.

The example above set forth is, of course, a very extreme case and is hardly likely to happen, but it is suggested for the purpose of proving the point and a theory.

It is well known that zinc ores from Mexico come in, containing over 20 per cent of lead contents. With such a mixed ore it might

Digitized by Google

well be that lead ore, running high in metal contents and a zinc ore running very low in zinc contents, the problem above suggested might come before the custom officials for settlement.

S. DUFFIELD MITCHELL.

ZINC DUST.

[Paragraph 482.]

THE NEW JERSEY ZINC COMPANY OF PENNSYLVANIA ASKS FOR PROTECTIVE DUTY ON ZINC DUST.

NEW YORK, *December 1, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
Washington, D. C.

DEAR SIR: Under the decisions of the United States courts, zinc dust has been held, contrary to the contentions of the Government, entitled to free entry, under the tariff act of 1897, as an article in a crude state used in dyeing or tanning under paragraph 482. The collector of the port of New York had classified zinc dust either as an article assimilated to zinc in blocks or pigs and dutiable at 1¼ cents per pound, under paragraph 192, or as an article composed of zinc wholly or partially manufactured and liable to a duty of 45 per cent ad valorem, under paragraph 193. This ruling was reversed by the courts on appeal by the importers. The Treasury Department properly attached importance to this subject and went so far as to apply to the United States Supreme Court for a writ of certiorari in order to have the case reviewed by the highest court. The Government was unsuccessful and, as the law now stands under judicial interpretation, the imported zinc dust is the only article of the kind which is to-day used in this country.

The article in question is, as its name implies, a fine powder composed of particles of metallic zinc. Its color is a slate blue. Neither zinc dust nor any other form of metallic zinc has ever been known to exist in a state of nature. The article is manufactured at furnaces situated in Silesia, in Belgium, and possibly in other parts of Europe. There is but a single commercial grade, quality, or condition of zinc dust. There is no article known as "refined" or "unrefined" zinc dust. The market value of the article in America is possibly something in excess of slab zinc, or spelter, a pound. Its chemical composition is 88 per cent to 92 per cent metallic zinc, a portion of oxide of zinc, and an insignificant amount of iron and lead. In this it differs from spelter, which contains but the slightest percentage of oxide of zinc. This difference is due to the greater amount of surface in the dust, which is exposed to the air, causing each particle to be slightly oxidized. Except for the greater quantity of zinc oxide in zinc dust, the composition of zinc dust and spelter is the same.

The uses of zinc dust are several. Besides its use as a reducing agent in dyeing, it is used in the cyanide processes of refining gold, as a reducing agent in bleaching and printing cloth, in the making of

Digitized by Google

colored lights, in the manufacture of a gray metallic paint known as zinc gray, in the manufacture of hydrogen gas, and in the manufacture of soap. A comparatively new use of zinc dust is in the dry galvanizing process sometimes called sherardizing.

At the time of the litigation between the United States and the importers of zinc dust there was operated at South Bethlehem, in the State of Pennsylvania, a newly installed plant for the manufacture of zinc dust. This plant had been able, by meeting the price of the imported article under a protective tariff of 1½ cents per pound, to furnish two-thirds of the total amount of this article consumed in the United States. The domestic producer in the year 1901 marketed 790 tons of zinc dust in America, as against the importers' 384 tons. Soon after the removal of the duty the company operating the plant at South Bethlehem found that it could not market its goods at a profit and the plant was therefore compelled to go out of the business.

The method of manufacturing zinc dust is substantially as follows:

Zinc ore is properly crushed by machinery and mixed with carbon. It is then placed in a retort and distilled in a furnace especially constructed for that purpose. Subjected to great heat, the zinc in combination with the carbon as a reducing agent becomes volatilized, and the vapor, escaping into a chamber of lower temperature, condenses into powder. Care is taken to prevent the access of air. The powder is then cooled and screened and the resulting product is the zinc dust of commerce. The process involves a complete chemical change from the mineralized zinc elements as they exist in the ore into the zinc vapor or gas, and a further change by condensation, converting the gas into particles of dust. The processes of manufacture are analogous to those used in the production of the pig zinc, or spelter of commerce. In the practice of the latter art the vapor, instead of condensing into powder, liquifies into molten metal. The manufacture of both articles is delicate and requires great skill, both in the construction and operation of the furnaces.

The reasons which make it necessary and proper to protect the smelters in the manufacture of pig zinc, or spelter, should also lead Congress to provide a suitable protective duty upon zinc dust. The rate should be the same as on spelter, to wit, 1½ cents per pound. The proper clause in which to provide this duty is in section 192, which should be amended by inserting after the words "zinc in blocks or pigs" the words "or zinc dust." This would bring zinc dust on an even basis with spelter in the American markets.

This memorandum is filed on behalf of the New Jersey Zinc Company, of Pennsylvania, a corporation of Pennsylvania, which owned and operated a plant at South Bethlehem, Pa., alluded to above.

Respectfully submitted.

HENRY S. WARDNER,
Counsel for The New Jersey Zinc Co. of Pennsylvania.

Digitized by Google

THE UNITED STATES SHERARDIZING COMPANY, NEWCASTLE, PA., ASKS THAT ZINC DUST REMAIN FREE.

NEWCASTLE, PA., *January 11, 1909.*

Mr. WM. K. PAYNE,
Committee on Ways and Means,
Washington, D. C.

DEAR SIR: We have your favor of the 6th instant, and complying with your request would state the following facts in support of our claim to have zinc dust, or blue powder, retained on the free list:

1. The product, which is known in commerce under the name of zinc dust, is blue powder of zinc smelters. Although every zinc smeltery makes it as an unwelcome or unavoidable between-product, it is only in Europe that it is prepared especially for sale, and the American requirements of the article are supplied from abroad. As far as we can learn, the American smelters do not save this material.

2. We have discovered a new use for this zinc dust in rust-proofing steel; the process is known as "sherardizing." To sherardize an object it is placed in a drum, the space around it being filled with ordinary zinc dust, and the drums made practically air-tight, the whole kept at a temperature of 500° to 600° F. for from thirty minutes to several hours, depending on the coating of zinc desired. After the drums are cool they are dumped on a screen, and the zinc dust, which has not been consumed in depositing the zinc coating, falls through, to be used later, there being no loss of zinc whatever. Though treated below the melting point of solid zinc, the metallic object is found to be covered with a uniform coating of zinc. In addition to the superficial coating of zinc, the iron below is found to be alloyed with zinc for a certain distance from the surface. In addition to using less zinc, there are other economies in the operation which assure the wide use of this process.

We inclose herewith a pamphlet marked "Exhibit A," which gives a full description of the process of sherardizing; also circular marked "Exhibit B," which gives the same information in a condensed form; also pamphlet on the Production of Zinc in 1907, issued by the Department of the Interior, marked "Exhibit C." On pages 16 and 17 in this circular you will find a description of sherardizing.

This process seems to be a very favorable one, and looks as if it would be used for rust-proofing wire for farm fences so that they will last for more than one or two years, and it would work quite a hardship with this new industry if a duty is placed on zinc dust, and we believe it should remain on the free list until such time as the smelters in this country find means of saving it and placing it on the market.

This article was placed on the free list by a decision of the United States General Appraisers at New York on August 6, 1900, in which they decided that it was a crude material and should be admitted free of duty.

Very truly, yours,

UNITED STATES SHERARDIZING COMPANY.

Digitized by Google

ARTIFICIAL FLIES.

[Paragraph 193.]

HON. J. H. DAVIDSON, M. C., FILES LETTER OF CARRIE J. FROST, OF STEVENS POINT, WIS., RELATIVE TO ARTIFICIAL FLIES.

WASHINGTON, D. C., *December 16, 1908.*

CHAIRMAN COMMITTEE ON WAYS AND MEANS,
House of Representatives.

SIR: I have the honor to submit for your consideration, and ask to have made a part of the hearings, a letter from Miss Carrie J. Frost, of Stevens Point, Wis.

The letter refers to the duty on artificial flies used in fishing.

Miss Frost now employs between 100 and 150 girls, and pays them from $5 to $7 per week. She manufactures a fine line of goods, and is having a splendid sale of them throughout the United States.

Her letter is interesting, as it shows what it costs to manufacture the different grades of goods and what effect the duty has thereon. It also shows how, as a result of her engaging in this industry, competition has reduced the price at which the English-made goods are sold.

Generally speaking, I think she would be satisfied if the duty on trout flies and also on hooks to gut and gut leaders remain as they are in the existing law. She would object to any reduction in the duty on the manufactured goods. In fact, if the duty was increased on the articles she manufactures it would stimulate this industry materially in the United States.

While the manufacture of trout flies may seem like a very small subject, the fact is that there are thousands and thousands of dollars' worth of these goods used annually in this country, and there is no reason why they can not be largely manufactured here.

I would suggest that the duty on trout and bass flies be increased from 45 per cent to 60 per cent and the duty on hooks to gut and gut leaders from 25 per cent to 40 per cent. At least there should be no reduction, unless you desire to destroy this infant industry.

Respectfully submitted.

J. H. DAVIDSON, M. C.

STEVENS POINT, WIS., *November 17, 1908.*

Hon. J. H. DAVIDSON, M. C.,
Oshkosh, Wis.

HONORED SIR: I wish to take up the matter of duty on the goods which I manufacture, and trust you will do all in your power to prevent the reduction of the duty on these goods. I am paying my employees good wages, and the profits at the present time are not as much as they should be, and I shall endeavor to prove to you that, even if the duty was reduced, I could not continue to manufacture my products.

First, I will take up the subject of trout flies. The duty is 45 per cent on all grades. We sell the cheapest fly that is made for $1 per gross. This fly costs me 90 cents complete as it goes from the fac-

Digitized by Google

tory. I do not know what the English people charge for this fly, but there is a duty of 45 per cent, and they sell them in this country. Another grade, which is of a better quality, they lay in New York for $1.25 per gross; duty added to this makes it $1.81 per gross. This fly costs me as it leaves the factory $1.50, and I sell it for $1.85 per gross. Another and still better grade of fly is landed in New York by the English people for $3 per gross; duty added brings it to $4.35 per gross. This fly costs me complete $3.30, and I sell it for $4.35, thereby meeting the English price.

The above is true of all grades made. The English can land the goods in New York for less money than it costs us to manufacture them at the present wages paid.

The duty on the plain hooks to gut is, I think, 25 per cent, and the duty on gut leaders or casting lines is also 25 per cent. These two last named we could not manufacture if the duty was removed. The English people sell large quantities of trout flies, hooks to gut, and leaders in this country, and if the duty were more on all of these articles, we, the American manufacturers, would enlarge our factories and the enterprise would be something wonderful. The duty is too low as it is.

Before the American people manufactured these goods to any great extent the English people received more for their products. For example, that fly which is now sold for $1 brought $1.35 ten years ago, and when they found that we could make the goods for $1.35 they reduced the price until they got it down to $1, and we had to meet their price. The price has stood at the $1 mark for some time. If the duty were increased to about 60 per cent, it would keep their goods out and we could increase our business accordingly. The duty on hooks to gut and gut leaders should be 40 per cent.

The English agents flock over here by the carload every summer to sell the jobbers in this country. As you know, we have some of the finest fishing in the world. Our fish hatcheries supply our streams with fish at a great expense to the Government, and the business of manufacturing tackle rightly belongs to the American people.

If we could not make these goods equal in quality to the imported article, we would not expect to be protected, but as it is our goods are equal to the imported goods and should therefore be protected.

Trusting you will do all that you can in behalf of our cause, and thanking you for any favors granted, I am,

Yours, very truly, Miss C. J. Frost.

AUTOMOBILES.

[Paragraph 193.]

THE FORD MOTOR COMPANY, OF DETROIT, MICH., SUBMITS BRIEF AGAINST INCREASE OF DUTY ON MOTOR CARS.

Detroit, U. S. A., *November 23, 1908.*

Hon. Sereno Payne,
Chairman Ways and Means Committee, Washington, D. C.

Dear Sir: Within the past few days it has come to our attention that a large number of manufacturers of automobiles in this country, being, no doubt, a majority of the members of what is known as the

Digitized by Google

American Motor Car Manufacturers' Association and the Association of Licensed Automobile Manufacturers, have appointed committees to attend a hearing granted by your committee on the subject of the tariff on automobiles.

The time was so short that we did not have an opportunity of bringing the matter before the associations above mentioned, but we have written to all of the members of this committee vigorously opposing the petition which they propose to present to your committee urging for an advance of the 45 per cent ad valorem tax now imposed on automobiles to 60 per cent ad valorem.

We believe that this petition does not represent the position and attitude of all the members of the associations referred to. We are unalterably opposed to any increase in this tariff. We believe that this so-called infant industry is fully protected all it should be, and, in fact, we believe the present tax is a greater protection than this industry should have. The industry has progressed sufficiently far, we believe, to not be entitled to any greater protection than would be represented by the actual difference in the amount of labor paid to manufacture automobiles in this country and that which is paid to manufacture automobiles in Europe. This difference is very small, as the amount of labor on automobiles in proportion to the amount of material is almost insignificant.

If the tariff must be revised, it should be reduced and under no circumstances raised.

The majority of material entering into an automobile should not cost any more in this country than in foreign countries, and, in fact, on account of our national resources, should cost less, and if the tariff is properly adjusted so that the materials entering into the production of an automobile are not unduly protected by tariff, then it should be no question of the so-called "infant industry" getting any protection, beyond the labor above mentioned.

This is an old worn-out argument—this question of protecting American labor against the pauper labor of Europe.

We believe the large number of manufacturers who desire this protective tariff desire it to protect their incompetence and inability to produce and sell automobiles at a price at which they can and should be produced and sold at. This incompetence—this lack of management—should not be protected by the United States Government, and especially to the detriment of other manufacturers who are able to build and sell automobiles at the price at which they should be built and sold.

We are the largest manufacturers of automobiles in the world; we know what they cost, and we know what they can be built for. If the manufacturers who complain, as they have complained in their petition, about the decreased prices at which automobiles have been imported from Italy, would alter some of their extravagant methods—their extravagant salaries and their extravagant policies—they could and would be able to readily compete with those cars imported from Italy and France.

The reason that the prices of automobiles have been so high in the past is because of the demand being in excess of the supply. They have been accustomed to high prices and extravagance, and they are afraid that they will be forced to legitimate competition by the

Digitized by Google

European manufacturers, who have now fairly well supplied the demand for cars of the type generally in use.

We could continue at length, but we will not take up your valuable time, except to request that your committee, before taking any action, give this company the opportunity of presenting its case properly before your honorable committee.

Yours, very truly,

FORD MOTOR COMPANY,
J. COUZENS, *Secretary and Treasurer.*

REPRESENTATIVES OF AMERICAN MOTOR CAR MANUFACTURERS CLAIM THAT A HIGHER DUTY IS NECESSARY.

WASHINGTON, D. C., *Nov. 25, 1908.*

Mr. Chairman and Gentlemen,
Ways and Means Committee, Washington, D. C.

GENTLEMEN: We have come before you in response to a notification of a hearing to be held on the subject of the revision of the tariff as it affects the motor-car industry in America. We represent the industry in the following manner:

There are three main trade associations in the United States, as follows:

The Association of Licensed Automobile Manufacturers, the American Motor Car Manufacturers' Association, and the National Association of Automobile Manufacturers; and are represented before your committee by H. B. Joy, Packard Motor Car Company, Detroit, Mich.; A. L. Riker, Locomobile Company, Bridgeport, Conn.; L. H. Kittredge, Peerless Motor Car Company, Cleveland, Ohio; C. H. Stillwell, Franklin Motor Car Company, Syracuse, N. Y.; E. R. Thomas, Buffalo, N. Y.; R. E. Olds, Lansing, Mich., and Thomas Henderson, Winton Motor Car Company, Cleveland, Ohio.

In order that your committee may understand more the importance of the representations which the above committees representing the American industry will lay before you, I wish briefly to state the importance in American commerce of the companies directly represented as above by stating that the market value of the products of those manufacturers present at this meeting for the current fiscal year will exceed $37,500,000.

These companies represent on their pay rolls to-day 11,400 employees directly paid by them and at work within the four walls of the respective companies. This is not taking into consideration the number of employees directly engaged in work being done for these companies outside of their own factories, nor does it take into consideration the millions and millions of dollars' worth of material being purchased by these companies from American sources of supply. A further matter of interest might be that the direct aggregate of pay rolls of the companies represented by the gentlemen present is approximately $700,000 per month paid to American workmen. I merely state these facts as indicative of the importance to be attached by the committee to our industry, and these statistics refer only to the companies of those gentlemen present.

The extent of the motor-car industry at the present time is 253 manufacturers of motor vehicles, of which about 70 to 100 are mar-

Digitized by Google

keting a product that is of importance to the trade. The value of the total American product for the year 1907 we place according to our best figures at upward of $100,000,000.

The motor-car industry is in process of rapid development, as witnessed by the fact that this enormous industry has grown up in America in the past ten years. Motor cars for import now come under the Dingley tariff bill, Schedule C, paragraph 193, act of 1897—manufacturers of metal, n. s. p. f.

We specially and earnestly urge upon your committee a special separate classification for motor vehicles and parts thereof, account of the extent and importance of the motor-car industry, which did not exist when the Dingley tariff bill was enacted. It is essential that equitable and adequate tariff protection for our product be provided, owing to the existing conditions in Europe, where very large factories have already more than supplied the European demand and which now finds the foreign market overcrowded, and on account of this overproduction are making strenuous efforts to market their excess product in America by the reduction of prices for exportation and making special discounts, availing themselves of the so-called "German concessions." The tariff necessarily, in order to be a protection, must compensate for the difference in the cost of production in this country and Europe, the principal item of which is wages.

It is to be specially noted that under the existing tariff the volume of imports of motor cars has annually increased, though statistics show that the value has decreased yearly on account of reduced prices abroad and American competition, yet the number of cars imported has increased each year, and we wish to call particularly to the attention of your committee the strenuous efforts on the part of various manufacturers to introduce their goods into the American market—racing, advertising, branch houses.

Reduction in prices, undervaluations, special discounts, and every means which can be devised are being, and will be, used to unload on the American market the excess product of Europe produced on the low European wage basis. The only means left to the American manufacturer to offset a reduction of the tariff and increased imports is reduction of wages, contests with our employees, and all the attendant tribulations, which is what we are seeking to avoid.

Further, it is clear that if the tariff were to be reduced on motor cars, making in any degree the importation of them more easy, it would necessarily follow that the tariff on component materials comprising tremendous varieties of industries in this country would also have to be reduced.

It is our desire to present to the committee any information which it may ask which will throw light on the existing conditions and be a guide in determining a wise measure of protection. We have here some brief, salient data which we wish specially to bring out. The astonishing difference in wages between Europe and America is beyond controversy and exists to a degree which we wish to impress upon the records of your committee.

We have compiled for your committee the following information. In eight of the leading and important American factories, employing 11,400 men, the average pay per year per person is as follows:

Workmen, $755.05; commercial employees, $876.07; technical employees, $1,202.41.

Digitized by Google

We have also the data covering the same information giving an average of 34 factories in Europe, employing 10,347 men. The average pay per year per person is:

Workmen, $306; technical employees, $602.50; commercial employees, $529; showing that the workmen in American factories are paid 2½ times approximately what they get for the same work in the same kind of factories in Europe. Technical employees in the American factories receive approximately twice what they do in Europe, and commercial employees receive about 2¼ times what they do in Europe. As a check on these figures compiled by our home factories it is to be noted that the statistical data gathered by Mr. James M. Carples, who has been abroad gathering data on the subject of rates of wages for us, exactly substantiate the above figures:

	France.	Austria and Italy.	Belgium.	American.
	Cents per hour.	*Cents per hour.*	*Cents per hour.*	*Cents per hour.*
Blacksmiths	11	8½	10	28
Machinists	9½	6½	10	25.8
Assemblers	11	9		24.6
Pattern makers	12	10		31.9
Apprentices	2½ to 3 years, no pay.	2		Half pay while learning.
Electrical	12	7		25
Carpenters	9		6	33.4

We are ready to answer any questions which are within our power and to furnish any subsequent information which the committee may desire.

Respectfully submitted.

HENRY B. JOY,
Chairman Motor Car Manufacturers Tariff Commission, and President Packard Motor Car Company, of Detroit, Mich.

EXHIBIT A.

Berliet, 40 horsepower.

Chassis, without tires	$3,200
Less 30 per cent	960
	2,240
Add 45 per cent duty. 5 per cent freight, etc.	
50 per cent	1,120
	3,360
If reduce again to chassis without tires	2,800
Less 35 per cent	980
	1,820
Add 45 per cent duty. 5 per cent freight, etc.	
50 per cent	910
	2,750

Not then down to flat basis.

Packard, 30 horsepower.

Chassis, wholesale	$3,040
Less tires	180
Net price	2,800

We now undersell by $500.

They will undersell by $130.

Digitized by Google

Fiat, 40 horsepower.		*Packard.*	
Chassis, with tires	$1,800	Chassis, 30 horsepower, with tires	$3,040
Add 45 per cent duty.			
5 per cent freight, etc.			
50 per cent of $2,200	1,100		
	2,900	They now undersell by $140.	
When they can prove as market value	1,800		
Add 45 per cent duty.			
5 per cent freight, etc.			
50 per cent	900		
	2,700	They will undersell by $340.	

To protect against this $65\frac{1}{10}$ per cent duty necessary.

STATEMENT OF CHARLES H. SHERRILL, NEW YORK CITY, REPRESENTING CERTAIN IMPORTERS OF AUTOMOBILES.

FRIDAY, *November 27, 1908.*

Mr. SHERRILL. Mr. Chairman and gentlemen of the committee, the association which I represent——

Mr. GRIGGS. What office do you occupy?

Mr. SHERRILL. I am counsel for the association.

Mr. GRIGGS. Do you know whether your concern makes any money or not?

Mr. SHERRILL. There are one or two of the concerns that are making money, but the rest are not. When the Department of Commerce and Labor recently sent Captain Carden abroad to report on the use there of American tools, he reported that both Italian and French companies are not making money——

Mr. DALZELL. You mean automobile makers?

Mr. SHERRILL. Yes, sir. He says regarding Italy in his report of June 1, 1908——

(Mr. Sherrill read from the report referred to. Copy not furnished.)

Mr. SHERRILL (continuing). In regard to the French companies, he says:

(Mr. Sherrill read further from the report referred to. Copy not furnished.)

The CHAIRMAN. What consular report do you refer to?

Mr. SHERRILL. The first was dated June 1, 1908, and the second August 22, 1908.

The CHAIRMAN. I wanted the reporter to get the dates. Proceed.

Mr. SHERRILL. Your petitioner is an association consisting of about a dozen of the leading importers of foreign-made automobiles, and which association has no other purpose and discharges no other function than that of conducting an automobile show at which foreign-built cars are exhibited. It respectfully presents herewith the following petition:

Digitized by Google

It is generally believed that the economic theory which has resulted in the tariff duties now imposed upon foreign-made articles is based upon the desire that American workmen and American "infant industries" shall be protected against unfair competition at the hands of articles manufactured abroad, where labor is cheaper and where the money expended for such labor and for materials is paid to foreigners, and does not increase the returns of capital and labor in the United States. In almost every instance when foreign-made articles (whether furniture, woolen goods, etc.) are imported into this country this act of protection is fully justified, because directly after the arrival here of the imported article and the payment of its customs duty it is at once offered for sale without adding in any way to the wealth of our people by any payments to American manufacturers or workmen. It immediately enters into competition with the American-made article, which looks to the tariff to prevent being undersold by the foreign article. The case of an imported automobile is an entirely different one, for it not only contributes largely to the American manufacturer and workmen after its arrival in this country and before its sale, but even during the period of its manufacture in the foreign country the large proportion of American-made machinery used there in its manufacture contributes handsomely to the foreign sales of American-made machinery and tools.

An extremely small per cent of foreign-made automobiles arrive in this country in a finished condition, considerably over 90 per cent being landed here either in an unfinished condition which necessitates for their completion the addition of machinery parts made in America, or else they arrive here as naked chassis; that is to say, nothing but the wheels with the mechanical running gear, and without the body built upon them. Therefore not only does the foreign automobile contribute to the United States by paying the tariff duties, but immediately upon its arrival here it begins to contribute to the wealth of our nation by purchasing American machinery, employing American labor, and generally contributing to a wide range of our business interests by paying insurance, rent, etc. Of how great an advantage this is to the manufacturer and the workmen of the United States can be seen from the fact that the importers composing the Importers Automobile Salon have paid American carriage builders over $1,000,000, and also an equal sum to American manufacturers for mechanical parts, tires, etc. Before leaving this point is should be remarked that as the average American-made automobile has its carriage body built in its own shops, it is to the foreign-made automobile that the carriage builders of this country owe it that they have not been severely embarrassed financially by the fact that carriages are being rapidly driven out of the field by automobiles. The carriage building industry in New York City owes a great debt in this regard to the enormous orders it has secured from the importers of foreign-made automobile chassis. How beneficial this trade is to the American carriage builder may be judged from the fact that foreign-made chassis during the four years ending June 30, 1908, are reported by the New York customhouse to have aggregated in value $16,896,983.71, and for over 90 per cent of these chassis, carriage bodies were built by American carriage builders.

Digitized by Google

Another service rendered to American manufacturers by foreign automobile factories is the splendid manner in which they have assisted to introduce the use abroad of American machinery. In many foreign countries it has proved difficult to persuade them to accept our machines, and therefore it has proved most beneficial to our manufacturers that foreign automobile makers have taken the lead in purchasing American machinery. The valuable reports compiled for our Department of Commerce and Labor by Capt. Godfrey L. Carden, after his examination of foreign automobile factories, are most instructive in showing what a large outlet they provide for American machinery. The plant of the Fiat Company contains $200,000 worth of American machinery, that of the Hotchkiss Company $175,000, etc. Other companies which are large users of American machinery are the Isotta, Clement, de Dietrich, Darracq, Berliet, de Dion, and Panhard.

Friends of the present tariff and those in favor of increasing it are fond of making statements to the effect that all foreign workshops contain much cheaper labor than we employ for the same purpose in this country. There is a marked exception, however, in the case of foreign automobile factories, for it is a fact beyond contradiction that the grade of skilled labor used in the foreign factories is considerably higher than that employed for the same grade of work in this country. There is a difference between the scale of wages abroad and in the United States, but a fair statement of that difference is to say that it is only from 30 to 33 per cent lower than the amount paid for the same grade of work here. Many advocates of a protective tariff admit that the tariff duty should represent nothing more than the difference between the scale of wages abroad and at home; if their argument is to be accepted then the present tariff of 45 per cent on foreign-made automobiles should be reduced to 30 or 33 per cent. This seems the proper point at which to refute a misleading statement which has been generally circulated throughout the country by American automobile companies to the effect that a great deal of the work in foreign factories is performed by apprentices who receive no pay. This is not true. Three or four years ago a French law was passed which prohibits apprentices from working in a shop with other workmen; those who wish apprentices are required to provide special shops for them and pay skilled mechanics to instruct them.

We have shown how valuable to the American manufacturer is the foreign-made automobile, not only after its arrival here but before then by the fact that it causes the purchase for its manufacture abroad of large quantities of American machinery. We have further seen how great are the sums that it pays to widely differing branches of American business in this country before it is sold here. Now let us consider the "infant industry" for which strenuous efforts are being made to maintain the tariff at its present rate or to raise it. Instead of an "infant industry" which is seeking protection at the hands of your honorable committee, it could more properly be called a trust of the worst type. The American manufacturers of automobiles are divided into two large groups. One, the Association of Licensed Automobile Manufacturers, which is organized about the so-called Selden patents, and the other, the American Motor Car Manufacturers' Association, which does not own allegiance to the Selden

Digitized by Google

patents. Speaking in general terms, the former make the high-priced cars, and the latter the low-priced ones. The use of the Selden patent (No. 549160, granted November 5, 1895) is an ingenious device to maintain a high price for automobiles among the manufacturers licensed to use it. Up to now all attempts to break this trust have failed because its foundation is a United States patent, which, of course, is a monopoly granted by the Government. This licensed association consists of over 30 American companies making high-priced cars, among which may be named Packard, Pierce-Great-Arrow, Locomobile, Simplex, Peerless, Thomas, Winton, Pope-Toledo, etc. Each company pays an annual tax or license fee upon the amount of its output to this association. The practical workings of this device are that it enables the association to keep up the price of cars sold by the licensed members and to provide a fund for legal proceedings against companies which do not contribute to it. This association hoped, because of their power to expel members and to refuse licenses to particular manufacturers, to so control the trade as to keep out of it or drive out of it such individuals as they pleased. Few manufacturers could afford to start up in the face of threatened lawsuits by a strong association which was known to have a large fund set aside for legal expenses. It is a matter of common report that during the last few years this association has expended for attorneys' fees and experts more than $300,000 in three suits which are not yet complete! An industry which has grown so profitable as to not only pay handsome dividends but also to be able to indulge itself in the luxury of such expensive litigation would seem to have long since left the state of being an "infant industry." Indeed, in the opinion of most Americans, it is time for them to show cause why they are keeping up the price of automobiles to such a point as to enable them to pay large dividends and indulge in such luxuries of litigation. We stoutly allege that the only people who oppose us in our request for a reduction of the tariff on foreign-made automobiles, are these very licensed manufacturers, who hope to keep the tariff where it is at present, and to use it to enable them to charge the American purchaser a higher price for an automobile than is represented by a fair profit to the manufacturer.

There can not properly be any opposition to a reduction of the tariff on the part of low-priced car makers, because even if the tariff were absolutely abolished foreign makers could not compete here against low-priced American cars. A conclusive proof of this statement is that to-day many American makers are successfully competing abroad with the foreign makers. This is particularly true of the Ford, Cadillac, Maxwell, and Buick companies. It is noteworthy that the Americans are especially successful in their foreign invasion of France and Italy, where there exists a tariff. This proves conclusively that so far as low-price cars are concerned the tariff is a farce.

Nearly all foreign cars brought into this country are entered at the port of New York. Figures obtained from the Hon. George Wanmaker, appraiser of that port, show that the number of foreign cars entered there for the last three years are as follows: To June 30, 1906, 1,325; to June 30, 1907, 1,435; to June 30, 1908, 1,415. Comparing this with the enormous increase of the American car during these same years shows two things; first, that the importation of

Digitized by Google

foreign cars is not being encouraged so as to produce the greatest amount of revenue through customs duties, and second, that it is not a profitable business or it would increase, even if it did not keep up with the enormous increase of the American cars. The present tariff of 45 per cent works three evils; it makes the American people pay an absurd profit on the American-made car, it does not begin to yield the revenues to the United States Government that a 25 per cent tariff would yield, and it prevents American carriage builders and manufacturers from receiving from the importers a greatly increased volume of business.

Lest it may be alleged that the foreign makers are too prosperous under the present tariff rate it is well to read two extracts from the "Daily Consular and Trade Reports" of the U. S. Department of Commerce and Labor, compiled by its sepcial agent Capt. G. L. Carden. Of Italy he says (June 1, 1908):

Of the fifty automobile concerns which sprang into existence in Italy during the past three years not more than ten or twelve will probably survive, and in some quarters it is doubtful if at the end of the year there will be more than six or seven Italian automobile firms in the field.

Of the fifty automobile

The business of the De Dion works is fairly good, though, in common with other automobile establishments, this firm has experienced a considerable falling off in the orders of the last year.

If there be anyone who does not recognize that the automobile has some time since passed from the luxury class to that of the absolute necessary, and therefore argues that as a luxury it should yield revenue to our country through tariff duties, to this man we confidently reply that the total revenue to the United States from a 25 per cent duty would, because of largely increased importations, be considerably higher than is now obtained from the 45 per cent duty.

We believe that a reduction in the tariff on automobiles would result in a corresponding reduction in the selling price of all automobiles, whether of home or foreign manufacture; that a reduction in the selling price would mean an increase of cars sold, whether home-made or foreign; that an increase in the number of automobiles sold would mean an increase in the number of men employed in manufacturing, manipulating, finishing, and driving, which would result in a marked increase of prosperity to the manufacturers and the laboring classes.

Mr. UNDERWOOD. Are any of the low-grade machines imported?

Mr. SHERRILL. The business is almost exclusively high-grade machines.

Mr. UNDERWOOD. What did you say the duty was on them?

Mr. SHERRILL. Forty-five per cent.

Mr. UNDERWOOD. You want that reduced?

Mr. SHERRILL. We would like to have that reduced; we do not care how much it is reduced; we would like to have it reduced as much as possible.

Mr. UNDERWOOD. What would the effect of a reduction in duty have on the revenue to the Government?

Mr. SHERRILL. It would very largely increase it, we think and believe.

Mr. BOUTELL. The word "automobile" does not occur in the present tariff law, does it?

Digitized by Google

Mr. SHERRILL. No; it comes in under paragraph 193; it is the general clause.

Mr. COCKRAN. You have referred to the Selden patents. What is the character of the Selden patent?

Mr. SHERRILL. It practically covers everything—every steam-driven or motor-driven road vehicle.

Mr. COCKRAN. You mean to say that there is a patent covering a steam-driven vehicle?

Mr. SHERRILL. It is claimed that it covers it; yes, sir. That has been fought in a great many quarters. It covers such parts of the gear as convey the power to the wheels.

Mr. DALZELL. I understand you to say that there is practically a combination between the dealers. I do not know anything in the world in which prices differ so much as in different makes of automobiles.

Mr. SHERRILL. That is so; and that is so because there is another association—the Ford and others are in this outside association.

Mr. COCKRAN. There are two; and the Pierce-Arrow and the Packard are in one——

Mr. SHERRILL. The high-grade cars like the Packard are in one concern, also the Pierce-Arrow, but a number of them are in Selden patents——

Mr. DALZELL. How about the Locomobile?

Mr. SHERRILL. That is in the Selden group. It is called "the Association of Licensed Automobile Manufacturers."

The CHAIRMAN. It is not a corporation?

Mr. SHERRILL. No.

The CHAIRMAN. It is an association?

Mr. SHERRILL. Yes; it is an association, and the head of it was for a long time Mr. George Day; he recently died.

The CHAIRMAN. Do you know the inside facts about that?

Mr. SHERRILL. I know there has been three litigations for the last five years, trying to get an answer to that question, and those litigations are still pending.

Mr. GRIGGS. Do you mean to say that they pay royalties?

Mr. SHERRILL. Yes; they pay a royalty or license, and hence the title "Licensed."

The CHAIRMAN. If the facts can not be found, how did you discover them?

Mr. SHERRILL. I found it out generally, but I can not find out the definite inside facts.

The CHAIRMAN. What facts do you know?

Mr. SHERRILL. I know from the decisions in the law reports this patent has been attacked in one or two suits. There are now three suits pending, in which this association has paid experts' and attorneys' fees amounting to over $300,000, in order to drive out of business three outside concerns—the Ford, the Newbower (?), and the Panhard.

Mr. DALZELL. Is there any unity of interests except this: that in one group they all agree to pay the license to these patent owners and in the other group they agree not to pay it?

Mr. SHERRILL. That is correct, in that the outsiders are the low-priced companies and the insiders are the high-grade machines, keeping up prices.

Digitized by Google

Mr. HILL. Do you mean to say to this committee that the Selden patent controls prices for the manufacturers in their finished products?

Mr. SHERRILL. That is exactly it.

Mr. HILL. Dictates the price and names one price for one concern and another for another concern?

Mr. SHERRILL. That is exactly it. If you have the power of subpœna, I would suggest you subpœna Mr. Ford, or some of these parties in that combination, and they would so testify.

Mr. DALZELL. Would any of the people on the other side so testify?

Mr. SHERRILL. I assume so. The point I am trying to make is this, that the American automobile industry is no longer an infant industry when they can make the profits which are made by some of the manufacturers.

The CHAIRMAN. No one has appeared before this committee and asked for a higher duty on automobiles, and no one appears now asking for a higher duty. The question is whether it would not be a good revenue producer.

Mr. COCKRAN. And his suggestion is that the duty be 30 per cent.

Mr. SHERRILL. My suggestion is if you will reduce the tariff you would increase the revenue.

Mr. UNDERWOOD. What are your reasons on the revenue side?

Mr. SHERRILL. I am speaking in favor of a number of gentlemen who are importing automobiles, and therefore——

Mr. UNDERWOOD. Have you any figures that would go to show that if you reduced the duty it would increase the revenue?

Mr. SHERRILL. There is no way to prove that. The only way I can show that is to say that the people who are importing machines say that if there was a reduction in the tariff they could very largely increase the number of cars sold in this country.

The CHAIRMAN. If a person lives abroad and owns a bicycle for a year he can import it into this country free of duty as a part of his household goods.

Mr. SHERRILL. But an automobile is a little different; you have to use it yourself for a year. It is not only necessary that you own it for a year before you can bring it in, but you have to show that you have yourself used it for twelve months.

The CHAIRMAN. And the courts have gone so far as to divide the repairs on an automobile. If the repairs have amounted to $2,000, it has been held that a person must pay $2,000 on those repairs, and the rest of the machine may be brought in free.

Mr. HILL. You say there is no importation of low-grade machines for commercial uses?

Mr. SHERRILL. Practically none.

Mr. HILL. Do you know anything that is more decidedly an article simply of luxury than a high-grade automobile, and is not it the policy of every country to tax luxuries for the purpose of revenue?

Mr. SHERRILL. I would have agreed with you if you had asked that question three years ago, but I doubt if any man who knows how the automobile is now used in the city and how it is developing the country districts will maintain that it is simply a luxury; even the high-grade machines are largely used for business and can no longer be considered simply luxuries.

Digitized by Google

As I have said, I believe you will get a higher revenue from the importation of automobiles if you will reduce the duty on them to 30 per cent, instead of maintaining it at 45 per cent.

The importation of foreign automobiles last year amounted to four and one-half million dollars. The importation has remained practically stationary for the last three years, about four and a half million dollars' worth a year. That shows it is not a growing industry.

The CHAIRMAN. The industry is growing in the United States, but not the importation?

Mr. SHERRILL. Yes, sir.

The CHAIRMAN. The domestic industry is growing?

Mr. SHERRILL. It is, very largely.

The CHAIRMAN. And you would have the foreign machine come in to take the place of the machines that are made in this country?

Mr. SHERRILL. No; but we maintain that the manufacturers of high-grade machines in this country are making more than a fair profit now.

Mr. COCKRAN. What is the profit made here as compared with the profit made by the manufacturers abroad?

Mr. UNDERWOOD. Will you give us the figures on that?

Mr. SHERRILL. I can answer this question in this way. Take a $6,000 Fiat car. We show that only $1,600 of that money goes abroad. That competes with the same priced car here, and the American manufacturer does not pay more than 30 per cent more for his workmen, and he pays about the same for his material. That is what enables the Packard Company to earn 100 per cent dividend.

Mr. UNDERWOOD. You say they make 100 per cent profit?

Mr. SHERRILL. That is the reputed profit.

Mr. UNDERWOOD. What do you say the profit is to the American manufacturer?

Mr. SHERRILL. The American manufacturer would not let you and he would not let me know what his profit is, but he competes against the $6,000 car, and we know that only $1,600 of that $6,000 stays abroad. Some of that must be cost; it is not all profit. I am attorney for the Hotchkiss Company abroad, and they claim that they are satisfied with something like one-third of the profit that is made by the American manufacturer.

Mr. UNDERWOOD. What do you mean to say the profit is—50 per cent on its cost price?

Mr. SHERRILL. I should think 100 per cent would be nearer it. It is irresistible——

Mr. UNDERWOOD. He makes 100 per cent profit?

Mr. SHERRILL. That is what I believe.

Mr. UNDERWOOD. So he does not need any protection?

Mr. SHERRILL. I do not think so.

Mr. GRIGGS. They give the dealer 45 per cent?

Mr. SHERRILL. No; 25 per cent is the average.

Mr. HILL. What does the New York dealer get commission on the Fiat and the various foreign machines sold in New York?

Mr. SHERRILL. Twenty-five per cent. I have disclosed the whole of that by saying that the Fiat car is purchased by him, and he pays $1,600. It is the New York concern that I am representing that pays

Digitized by Google

the man on the other side $1,600, pays the United States Government tariff—45 per cent—and the carriage——

Mr. HILL. That is only a part of the machine. But a finished machine sold to the millionaires of Fifth avenue, what does a dealer get on such a machine?

Mr. SHERRILL. That almost never happens. The gentlemen that reside there prefer to have their automobile bodies made in New York. If it were not so I do not know what would have happened to Demarest & Co. and Brewster & Co., because those houses would probably have failed if it had not been for the orders we give them. The Pierce-Arrow and the Dayton and the rest of them make their own bodies in their own shops, so the carriage builders——

Mr. HILL. You do not claim that you are here out of pure sympathy for the carriage builders?

Mr. SHERRILL. No; but I want to make it clear that we are not here as foreigners; we are here as large contributors to American industries.

Mr. COCKRAN. When you speak about automobiles, you distinguish between the chassis, that is the mere piece of machinery and the complete automobile—you say for the chassis you pay $1,600?

Mr. SHERRILL. Yes; this particular car that we took, as an example, the average——

Mr. COCKRAN. That is a car that sells at $6,000?

Mr. SHERRILL. Yes, sir.

Mr. COCKRAN. Does the $6,000 include the chassis only?

Mr. SHERRILL. No; they include not only the $1,600 for the chassis, but also the duty and the carriage, and then they include in this country about $1,200 for the body, which could have been gotten abroad much cheaper than here.

Mr. COCKRAN. Let us see; take $1,600 for the chassis.

Mr. SHERRILL. A thousand dollars for duty and carriage. Twelve hundred dollars for the body; $200 for the tires; $100 for lamps, etc.

Mr. COCKRAN. That would be $3,800.

Mr. SHERRILL. That leaves you about $1,800.

Mr. COCKRAN. I make it $4,000, and $2,000 profit.

Mr. SHERRILL. But then you have left out and have not touched at all the sale expenses. You have not charged for the large offices that have to be kept. Several of these clients of mine pay $10,000 a year for offices.

Mr. COCKRAN. Yes; $2,000 on each car is the fund from which the offices have to be paid.

Mr. SHERRILL. And insurance.

Mr. COCKRAN. Yes. I understand. I want to get before the committee just what it is.

Mr. SHERRILL. And further than that, we have to stand out of our money for some time, for this chassis comes here to have the body put on——

Mr. HILL. There is a profit in the $1,600 to the foreign dealer?

Mr. SHERRILL. Yes.

Mr. HILL. It would hardly be fair to add that twice.

Mr. SHERRILL. We do not add that twice. I said that the foreign dealers' profit must be within that $1,600 because that is the only money he touches.

Digitized by Google

Mr. BOUTELL. What do we do in the way of exporting automobiles?

Mr. SHERRILL. Our cheaper grades—for instance, the Ford—is being largely sold in France, I understand.

Mr. BOUTELL. How is it in other countries?

Mr. SHERRILL. And in nearly every other country of Europe also.

Mr. BOUTELL. Is the Ford a good car?

Mr. SHERRILL. I think it is.

Mr. BOUTELL. What is the principal one we export?

Mr. SHERRILL. The Ford is the principal car we export, I think.

Mr. BOUTELL. What is the export price on the Ford?

Mr. SHERRILL. I don't know.

A BYSTANDER. Twenty per cent off the list.

Mr. GAINES. Are not these foreign makes of automobiles sold cheaper in this country than they are abroad?

Mr. SHERRILL. Oh, no.

Mr. GAINES. Then, is there not a discount greater in this country than in the foreign country?

Mr. SHERRILL. Well, it is a different kind of a car; they do not make the same kind of a body.

Mr. GAINES. As a matter of fact, is there not a difference of between 15 and 20 per cent in the discount allowed the dealer in the country where the cars are made and in America?

Mr. SHERRILL. The answer to that would be as many different answers as concerns I represent in this association. I happen to know in the case of the Hotchkiss Company that that is not true. Of course it is a trade matter——

Mr. GAINES. I do not expect you to tell about any particular company, but is it not a fact that there is a larger discount allowed to the American dealer than the dealers in the countries where the same cars are made?

Mr. SHERRILL. In the case of the Hotchkiss car the discount given to the dealer in Paris who sells the car is the same as the discount given to the dealer in New York.

The CHAIRMAN. If I understood you, the unfinished car here is $1,600, on which there is a duty of 45 per cent, or $675, and that car is sold for $6,000?

Mr. SHERRILL. Yes, sir.

The CHAIRMAN. So that Uncle Samuel gets about 11 per cent of duty on a car for which the consumer pays $6,000?

Mr. SHERRILL. Yes; partially due to the high price of bodies in this country——

The CHAIRMAN. That is true, is it not?

Mr. SHERRILL. If you complete the answer——

The CHAIRMAN. Well, complete the answer.

Mr. SHERRILL. The answer is that the rest of that money is divided up so that the automobile importer here makes a small and reasonable profit and the rest goes to body builders, which are very expensive in this country, and to other American businesses.

The CHAIRMAN. He makes 30 per cent profit?

Mr. SHERRILL. No; about 7½ per cent. I said when the total got to about $4,200, then there still remains to be paid all his selling charges.

The CHAIRMAN. But his profits are $1,800?

Mr. SHERRILL. No; because out of that profit would come his insurance and office expenses, and so on——

Digitized by Google

The CHAIRMAN. That machine is $1,800——

Mr. SHERRILL. You have to pay the agent to sell them.

Mr. COCKRAN. What do you pay him?

A BYSTANDER. About 15 per cent.

Mr. SHERRILL. About 15 per cent.

Mr. COCKRAN. You say that 15 per cent is the cost of selling?

Mr. SHERRILL. Yes.

Mr. COCKRAN. Fifteen per cent of the $6,000?

Mr. SHERRILL. Yes; that is what he gets, on the price he gets for the car.

Mr. COCKRAN. There is a selling price fixed?

Mr. SHERRILL. Yes.

Mr. COCKRAN. And he gets 15 per cent on that?

Mr. SHERRILL. Yes. Further than that, you have got to consider insurance and office expenses.

Mr. CLARK. If you figure much longer, you will bring that fellow out in the hole.

Mr. SHERRILL. That is just where we have got him. [Laughter.]

Mr. DALZELL. Does the body include the wheels?

Mr. SHERRILL. Yes; but not the tires.

The CHAIRMAN. I received this telegram from Mr. Denvy:

Am requested by the Ford Automobile Company, the largest makers of automobiles in the world, to protest against the reported proposition to raise the tariff on automobiles, and to ask for them a hearing before final action is taken on the subject. They are opposed to increasing the tariff on automobiles.

Mr. SHERRILL. That is another American industry.

The CHAIRMAN. Did you get that same rumor, that the tariff is to be increased on automobiles?

Mr. SHERRILL. We did not get a rumor, but we got something that possibly some of you gentlemen got. We got a copy of a letter that was sent out confidentially by this association, inclosing another letter which they hoped the receiver would find it convenient to sign, or else sign one similar to it. That contained some ideas which made us fear that the automobile manufacturers were going to try to have the duty raised.

Mr. UNDERWOOD. Will you put that in the record?

The CHAIRMAN. I want to say that I have not received any such communication from anybody. Do you not think we had better have them filed and not printed? When is that dated?

Mr. UNDERWOOD. I wanted it to go in the record. Before the winter is over these different concerns will be coming in here.

Mr. SHERRILL. These do not seem to be dated. It was about a month ago.

The CHAIRMAN. I have not received anything. Neither has any member of the committee.

Mr. SHERRILL. I would like to put into the record——

The CHAIRMAN. Just file it with the clerk.

Mr. SHERRILL. One is a letter marked "Important, confidential," and the other is a letter marked "Basis of letter to be sent to your Board of Trade," and is headed, "To the Chamber of Commerce or Board of Trade."

The CHAIRMAN. Who signs it?

Mr. SHERRILL. The association signs the first letter.

The CHAIRMAN. What association?

Digitized by Google

Mr. SHERRILL. The American Motor Car Manufacturers' Association.

The CHAIRMAN. What interest have they—Oh, they want to raise the duty?

Mr. SHERRILL. Yes; or they want to have it kept where it is. But I have here the original letter, which I would be glad to exhibit. This I put in is merely a copy.

BRIEF SUBMITTED BY THE ITALIAN CHAMBER OF COMMERCE OF NEW YORK CITY RECOMMENDING A REDUCTION OF DUTY ON AUTOMOBILES.

203 BROADWAY,
New York, November 25, 1908.

Hon. S. E. PAYNE, M. C.,
Chairman of House Committee on Ways and Means,
Washington, D. C.

HONORABLE SIR: Inclosed we have the honor to forward to this honorable committee a memorial of this chamber recommending a reduction of the present duty on automobiles covered by Schedule C, Miscellaneous metals and manufactures of, paragraph 193.

This chamber trusts that said memorial will receive the attention of the honorable committee which you so competently preside, and will be pleased to furnish any further information you might desire on the subject, regretting the inability to send a special representative for the hearing.

Very respectfully, E. MARIANI,
Vice-President
Italian Chamber of Commerce of New York.

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

NEW YORK CITY, *November 25, 1908.*

GENTLEMEN: The Italian Chamber of Commerce in New York submits respectfully to this honorable committee the following recommendation and arguments for a decrease of the duty on automobiles:

The present rate of 45 per cent ad valorem on automobiles was established when this latest of modern means of conveyance was yet a novelty, and its use, on account of much higher cost, exclusively confined, we may say, to the classes of most affluent means, and when the importation and the domestic manufacture of this commodity was far from the important position it has attained to-day. This rate will be recognized as decidedly too high under the present conditions, when the use of the automobile is becoming daily more extensive and finds its patronage not only among the wealthy and sportive classes, but also among people of more moderate circumstances.

The almost astonishing development in the manufacture of these machines during the last few years, due to a demand which overtaxes in many cases the productive capacity of the manufacturing plants, and the remarkable increase in the importation of automobiles for home consumption, which reached, in fiscal year ending June,

Digitized by Google

1907, the number of 1,100, valued at $3,923,634, with a unit value of $3,566, against an exportation of 2,862 machines, valued at $4,890,886, with a unit value of $1,709, shows that the automobile is growing daily into more popular use, and from the domain of luxury, to which it was confined in its earlier days, has now entered that of usefulness and of more general utilization. That it is ultimately destined to supplant the ordinary means of conveyance by animal traction may be taken as a foregone conclusion, the time when this desirable consummation shall have taken place being within commensurable distance, and its earlier or later realization depending upon the ability of manufacturers to place on the market machines at such moderate cost as to render this desirable substitution economically possible. An argument this, which seems by itself sufficient to substantiate a plea for a lower duty, in order to maintain as wide a field of supply as possible.

From the unit cost above stated of American machines exported it is apparent that Americans can manufacture automobiles, pay good wages, and still make a reasonable profit at a much lesser figure than foreign manufacturers, and that they are thus able to undersell the latter not only in the United States, but in foreign markets as well.

In no other country is the material entering the manufacture of automobiles—viz, steel, iron, brass, wood, leather, rubber, glass, etc.—cheaper or as cheap as in the United States, and this economic advantage, securing already to domestic manufacturers a natural protection, is more than sufficient to counterbalance any difference in the cost of labor, especially considering that in this line of manufacture, requiring specially skilled labor, the difference between wages paid abroad and in this country is by no means notable, if at all existent.

Foreign manufacturers are, in fact, at a much greater disadvantage in comparison with their American competitors, not only on account of the higher cost of the material entering into the manufacture of their machines, which has to be imported from this and other countries, but also on account of the duties that have to be paid in the foreign manufacturers' home country on such material, and of the freights and contingent expenses both on the necessary material imported from abroad and on the machines exported to this market. The factors mean a further protection to domestic machines.

Foreign automobiles are bought in this country by reason of the special reputation with which certain particular makes have become identified through their efficiency. Each make represents, so to speak, an individuality of its own, embodying certain specific merits, which are the essential factor of their sale. Thus it can not be said that they compete with any domestic machine, because their demand is conditional upon a certain specified make, which has deserved the confidence of the buyer, and also because their original cost is higher than that of the American machine. To handicap the importation of foreign machines with the present exorbitant duty is therefore to tax heavily instead of promoting endeavor to that greater efficiency, which is, in the very interest of American industry, necessary to stimulate a wider use of this line of manufactures; is to put an unnecessary high premium or undue limitation on healthful sport; is to

Digitized by Google

court possible combination of domestic interests to the detriment of those who use automobiles, and to deprive the revenue of the greater income obtainable from increased importation consequent upon a lower and moderate rate of duty.

The foregoing arguments point to the advisability, to which this chamber respectfully calls the attention of this honorable committee, of reducing the present exorbitant rate of 45 per cent ad valorem on automobiles to a more reasonable rate, more in accord with the visible future of this industry and trade, more equitable to those who use automobiles, and more to the interest of revenue itself.

Respectfully submitted.

E. MARIANI.
Vice-President, Italian Chamber of Commerce of New York.

STATEMENT OF JOHN J. CARTON, OF FLINT, MICH., REPRESENTING THE BUICK AUTOMOBILE CO.

MONDAY, *December 14, 1908.*

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Are you a manufacturer of automobiles, Mr. Carton?

Mr. CARTON. I am the attorney for the Buick Automobile Company, of Flint, Mich., and I am here at the request of the general manager of that company, who is also one of the directors of the company, to present the views of that company with reference to the tariff which should be placed upon the importation of automobiles. From my talks with him I desire to state to the committee that we occupy somewhat of a middle ground. We differ from those who want a 45 or 60 per cent tariff, and we also differ from those who do not want any tariff. The company which I represent, and for whom I speak, is perhaps one of the largest, if not the largest, manufacturers of automobiles in the country—it is certainly one of the largest; and we are of the opinion that there should be a moderate tariff placed upon the importation of automobiles, somewhere from 20 to 25 per cent. The general manager of our company is of the opinion that a 25 per cent ad valorem tariff would be a sufficient tariff to take care of the automobile industry and to give it proper protection in this country.

Now, it is a fact that the Buick Automobile Company is to-day selling automobiles in Europe, and selling them there in competition with the automobiles manufactured there, and selling them successfully. Of course, at the present time they are not manufacturing an automobile which, in the common acceptation of the term, is as high grade as some of the other factories, but Mr. Durand, the general manager of our company, said to me in a conversation the other day, and authorized me to say it here, that next year they will turn out as high-grade automobiles as any factory in the country—as good an automobile as can be made—and that they will sell it at 70 per cent of the price which is now being charged for the same grade of automobiles by the so-called high-grade factories.

Mr. DALZELL. That is your particular company?

Digitized by Google

Mr. CARTON. Our company; yes.

Mr. DALZELL. Your company, not all of them?

Mr. CARTON. I only speak for the one company.

Now, improvements are constantly being made, and the business of the manufacture of automobiles is being reduced more and more to a science every day, and there is, in the opinion of the gentlemen whom I represent, very little to fear from foreign importations. Of course, there should be something on it to make the difference—to take care of the difference—in labor.

While I think of it, I learned after coming here that we are permitted, by request of the committee, to file briefs supplemental to what we say, and I should be very glad to have that privilege extended to me a little later.

The CHAIRMAN. Of course, you can file it any time, but the difficulty is that it is getting pretty well along, and we are nearly through with the hearings. Unless it is filed rather promptly, it will not appear in the printed record in its proper place and may be overlooked. But take your own risk about that.

Mr. CARTON. Oh, yes.

The CHAIRMAN. You say that your company sells automobiles abroad?

Mr. CARTON. Yes, sir.

The CHAIRMAN. Do you sell them at a less price than you do here?

Mr. CARTON. I think we have the one schedule of prices for there and here too.

The CHAIRMAN. That is, you get the same price abroad as you do at home?

Mr. CARTON. That is my understanding of it; yes, sir.

The CHAIRMAN. And you think 20 or 25 per cent will make up the difference between the cost of labor here and abroad?

Mr. CARTON. Yes, sir; taking everything into consideration. That is what I am advised.

The CHAIRMAN. That is, on parts of automobiles as well as on the automobiles themselves?

Mr. CARTON. On the automobile as a whole.

The CHAIRMAN. You understand that parts of automobiles are imported to some extent?

Mr. CARTON. Yes, sir.

The CHAIRMAN. Does your company import them?

Mr. CARTON. No.

The CHAIRMAN. They get everything here?

Mr. CARTON. Yes. I think that the tires that we use are made here now, but I think they were first imported.

The CHAIRMAN. Have you looked at this matter from a revenue standpoint?

Mr. CARTON. No; I am looking at it simply as——

The CHAIRMAN. Why is not an automobile a pretty good thing to produce revenue upon?

Mr. CARTON. Well, yes—the question is whether you will produce more revenue with a 45 or 60 per cent duty than you will with a 20 or 25 per cent duty.

The CHAIRMAN. And that is a fair question, of course, but it would seem at first sight that an automobile was a sort of a luxury that could well afford to contribute to the revenues of the Government.

Digitized by Google

Mr. CARTON. Well, Mr. Chairman, the automobile as a luxury is fast passing out of that stage.

The CHAIRMAN. Well, I know that a good many people mortgage their homes to buy automobiles, but whether it is a luxury or not——

Mr. CARTON. But you will find—of course, I am saying nothing about it now—that within a very short time the automobile, as a business proposition——

The CHAIRMAN. Does your company propose to sell them 30 per cent cheaper?

Mr. CARTON. Oh, yes; and sell as good as can be made in the country.

The CHAIRMAN. As high grade as anybody manufactures?

Mr. CARTON. Yes, sir.

The CHAIRMAN. Do you have a large output?

Mr. CARTON. We expect to make 18,000 automobiles next year.

The CHAIRMAN. It seems to me that 30 per cent off ought to make some difference in the price.

Mr. CARTON. Yes, sir.

The CHAIRMAN. If I thought that would tempt anybody to mortgage his home, I should rather look around and see if I could not prevent it.

Mr. CARTON. You would not want to prevent the production of 18,000 automobiles in our town.

The CHAIRMAN. Do you make any motors to be used in the carrying of freight?

Mr. CARTON. No; we have made the trucks.

The CHAIRMAN. Would the term "automobile" include them?

Mr. CARTON. I think so; I think it would fairly do so.

The CHAIRMAN. In general terms it would include everything of that kind that is self-propelling?

Mr. CARTON. I think it ought to. They are termed in the trade mostly a "motor truck."

Mr. DALZELL. Or a motor wagon?

Mr. CARTON. Yes.

The CHAIRMAN. And they have comparatively light delivery wagons also that I have seen.

Mr. CARTON. Yes.

The CHAIRMAN. Express companies use them for delivery purposes?

Mr. CARTON. Yes; and they also have motor buggies which are being manufactured more or less. They look almost like a buggy in general appearance.

The CHAIRMAN. What I was trying to get at was the proper designation, because I think they ought to be put in a separate class instead of in the general term of "all automobiles manufactured."

Mr. CARTON. I think it has got to that stage where they ought to be classified separately.

The CHAIRMAN. "All automobiles, including motor wagons," would certainly cover it, would it not?

Mr. CARTON. Motor wagons and motor trucks—either term; but I think the term would be better understood as applied to the heavy draft vehicle if it is called the "motor truck." I think they are called that more than "motor wagon."

Digitized by Google

The CHAIRMAN. I think the term "automobiles" would be better, although if they wanted a motor wagon or a motor truck they might find something else in the line of automobiles which might be excluded.

Mr. DALZELL. Does your company make touring cars?

Mr. CARTON. Yes, sir; we make several grades of touring cars.

The CHAIRMAN. Do you make any light runabouts?

Mr. CARTON. Yes, sir.

Mr. DALZELL. What are the prices of your touring cars now?

Mr. CARTON. We sell runabouts at $900. The two-cylinder touring car, what we call our five-passenger car, we sell at $1,250.

Mr. DALZELL. How many horsepower has it?

Mr. CARTON. I think that has about 22 horsepower, if I recollect. I am not particularly posted on the mechanical part of it, but I think it is about 22 horsepower. Then they have a four-cylinder car that they sell for $2,500, I think. That is the highest-priced car they sell.

The CHAIRMAN. Have you concluded your general statement? I did not wish to interrupt you.

Mr. CRUMPACKER. Allow me to ask, Mr. Carton, right in this connection. I understand your company can not make machines now and supply the regular demand?

Mr. CARTON. It has not been able to do so heretofore.

Mr. CRUMPACKER. People have to get their orders in several months in advance?

Mr. CARTON. Yes, sir.

Mr. CRUMPACKER. Is not that true of most of the automobile fac-factories who manufacture them in this country, or do you know about that?

Mr. CARTON. I think it is.

Mr. CRUMPACKER. And there is a pretty sharp competition in this country between automobile factories?

Mr. CARTON. I presume so.

Mr. CRUMPACKER. Now, Mr. Carton, as a manufacturer, how are you interested in having the tariff reduced on automobiles; what effect will it have?

Mr. CARTON. I think it would be better for the trade generally by and by.

Mr. CRUMPACKER. You are here speaking for the trade in the future?

Mr. CARTON. Yes; not for to-day alone.

Mr. CRUMPACKER. There is no automobile trust in this country that you know of is there?

Mr. CARTON. Not that I know of.

Mr. CRUMPACKER. And the automobiles imported, I notice, in 1907, averaged in value each $3,566. It is the intention of your company to enter upon the manufacture of the high-grade car, is it?

Mr. CARTON. Yes.

Mr. CRUMPACKER. So that your product would then come in competition with the imported machine?

Mr. CARTON. Yes, sir; I think it would.

Mr. CRUMPACKER. How extensive is your trade abroad?

Mr. CARTON. I am not advised as to just how extensive it is. We have an office—our headquarters of the foreign department are in London.

Digitized by Google

Mr. CRUMPACKER. As long as the demand in this country is as great or greater than the supply, the price of machines will be pretty well up; that is a logical conclusion, is it not?

Mr. CARTON. Admitting that the law of supply and demand has something to do with the prices.

Mr. CRUMPACKER. Has it in the automobile business?

Mr. CARTON. Yes, sir; I think it has.

Mr. CRUMPACKER. I would like to know how, in the future, a reduction of tariff would improve business in this country.

Mr. CARTON. I do not know as it would improve the business, but we do not think it is necessary to have a high tariff on them.

Mr. CRUMPACKER. If the tariff were reduced from 45 per cent to 25 per cent, in order to obtain the same revenue we would have to import about twice as many automobiles as we had before, and that would displace an equal number of the American make?

Mr. CARTON. It might be so considered.

Mr. CRUMPACKER. I ask these questions because I have not been able to understand the interest that your company has in the manufacture of automobiles in the reduction of the duty from 45 per cent to 20 or 25 per cent.

Mr. CARTON. Well, I am presenting the views of the managers of the company. They are of that opinion. We are protectionists so far as that is concerned, and we think that there should be sufficient to compensate for the difference in the wage scale. But outside of that there isn't any reason why an automobile could not be made here, considering the skill and workmanship of the American manufacturers and the American workingmen, cheaper than they are made in Europe.

The CHAIRMAN. Are these German automobiles coming here covered by United States letters patent, upon any or all of them?

Mr. CARTON. I do not know.

Mr. DALZELL. There is an American patent on the motor, and all of the companies—I think yours included—with the exception of the foreigners, pay a license fee to the patentee.

Mr. CARTON. We are not paying any license fee. We have concluded—you refer to the Selden patent?

Mr. DALZELL. Yes.

Mr. CARTON. We have concluded that the Selden patent does not mean anything.

Mr. DALZELL. That is all right, but you have been paying?

Mr. CARTON. Yes; but we have declined for a year or more now to recognize it.

The CHAIRMAN. How much of a license fee did you pay?

Mr. CARTON. It was on a percentage basis, and I think a quarter of 1 per cent.

Mr. DALZELL. It would depend upon the horsepower.

Mr. CARTON. On the horsepower, and the lumber made. I noticed in a communication—I think the communication was addressed to Senator Hopkins, and I presume it has found its way into this discussion—a letter which I have here, that the name of our company is used and the Olds Motor Company of Lansing in our State also, among those who want the present tariff retained. There is no authority for the use of the Buick Company in that list, and there is no

Digitized by Google

authority for the use of the Olds Motor Works either. I have here a letter from the manager of the Olds Motor Works.

The CHAIRMAN. You might print it in the record.

Mr. CARTON. I do not feel at liberty to do that, Mr. Chairman. He states his position in there, that he thinks a tariff of 25 per cent would be sufficient. That is the manager of the Olds Motor Works. His was one of the companies——

The CHAIRMAN. Under what tariff do you think the Government would get the more revenue?

Mr. CARTON. I think they would get more revenue at 20 per cent ad valorem than they would get at 45 or 60 per cent.

The CHAIRMAN. That it would more than double the importations?

Mr. CARTON. Yes, sir; so far as we are concerned we are not afraid of importations. That is what I am here principally to say to the committee.

Mr. CLARK. You use the usual verbiage about difference of labor cost. Do you do that simply because you have fallen into the habit of it, or because there is a difference in labor cost.

Mr. CARTON. I think there is some difference.

Mr. CLARK. How much difference is there?

Mr. CARTON. Well, there is quite a difference in the actual dollars and cents, as I understand it; but I think that difference is more than made up by the difference in the skill and the time which the American workingman takes as compared with the European workingman.

Mr. CLARK. Do you not honestly believe that the American workingman, although he gets higher wages, produces so much more than the foreigner that really the American, in piecework, receives less than the foreigner?

Mr. CARTON. I would not want to say that.

Mr. CLARK. Are you a practical manufacturer, an attorney, a general manager, or what?

Mr. CARTON. I am an attorney, and have been in the board of directors of the company. I know something about it.

Mr. CLARK. You are not a practical manufacturer?

Mr. CARTON. I do not handle the goods.

Mr. CLARK. And you really do not know.

Mr. CARTON. I never worked at piecework.

Mr. CLARK. I see you do not know, but simply use that phrase because you have heard everybody else using it; isn't that about the size of it?

Mr. CARTON. I think that there is a difference.

Mr. CLARK. I know; but what I want to find out—and so does everybody else who is to have anything to do with the making of this bill—what the difference is, if any. I want to know what the unit of production—I suppose it would be taken in this country as a unit—what that unit is; and if you can get that information in facts and figures, I wish you would do so and let us have it.

Mr. CARTON. I will furnish it to you—my view of it, anyway.

Mr. CLARK. It keeps the price up?

Mr. CARTON. I do not think so.

Mr. CLARK. Then what does keep the price up?

Mr. CARTON. I think it is the demand at the present time.

Digitized by Google

Mr. CLARK. How much does one of those automobile buggies sell for? We call them "automobile buggies" out West; I don't know what you call them here.

The CHAIRMAN. Runabouts?

Mr. CARTON. Do you mean the regular automobile?

Mr. CLARK. I mean one of these things that you see going up and down the streets with a buggy top on and used for two people. That is the simplest machine there is, isn't it?

Mr. CARTON. We make a runabout, but there is a vehicle called an "automobile buggy." It is not an automobile, but it is a buggy with motor power in it. But we make a runabout, a regular automobile, and one of our runabouts sells for $900. It has two seats, with a seat behind.

Mr. CLARK. How much does the runabout apparatus, used as motive power, cost in one of these $900 machines?

Mr. CARTON. I could not tell you.

Mr. CLARK. I have been told at home, where a man was trying to sell some automobile buggies, as they are called, that the lowest price was $750. You can buy a real good buggy horse—I do not mean one of these horses driven here in the city for style, but a real good, serviceable buggy horse, that will go at a fairly good gait—for from $200 to $250. Then you can buy a good harness for $25, and you can get an elegant buggy for from $100 to $125, along there; so that the horse and that outfit—and a good one, too—would cost somewhere in the neighborhood of $350 by the time you get through. I never could understand why these machines, the automobile buggies, as they are called, cost so much more than that kind of an outfit that I have just named. I wish you would tell me just how much the motive power in one of those things costs, and why it costs so much.

Mr. CARTON. Well, they go faster.

Mr. CLARK. Well, I know that, but that is not what I asked you. I asked you what the motive power costs.

Mr. CARTON. I could not tell you what it costs.

Mr. CLARK. That ought to be all the difference there is in the cost between an automobile buggy and an ordinary buggy with one horse. There is nothing peculiar about the apparatus of the automobile, or the automobile buggy, whatever you please to call it, as to the motive power, is there?

Mr. CARTON. There is something there that they call the "explosive-engine construction" that has baffled most of the boys to find out what it really is; but they know that it does the work.

Mr. CLARK. That is the motive power.

Mr. DALZELL. Speaking of buggies, the power in those is electrical, is it not? They do not use gasoline for buggies, do they?

Mr. CARTON. I think so.

Mr. CLARK. What is the motive power in these automobiles that make such smoke around town?

Mr. DALZELL. That is gasoline.

Mr. UNDERWOOD. I think they make an automobile buggy that sells for about $350.

Mr. CARTON. I think so; yes, sir.

Mr. BOUTELL. Mr. Carton, Judge Crumpacker asked you a question that was in my mind, and it did not seem to me that the answer that you gave was entirely responsive, as to what your interest

Digitized by Google

was in coming here and asking for a reduction. I can understand your holding a personal view that the reduction would not hurt you any, but I had the same question in mind, why you should go to the trouble and expense of coming down here as a manufacturer to ask for a reduction.

Mr. CARTON. Well, I am here because my people want me to come down and ask it.

Mr. BOUTELL. I understand that, but the question is: Why does this manufacturing concern ask for a reduction?

Mr. CARTON. They think that it would be better in the long run to do that.

Mr. GAINES. But why?

Mr. BOUTELL. I understand that they hold the opinion that it would not hurt them any, but I do not understand why they go to the expense of retaining somebody and sending him down here to make an argument for the lessening of the duties. It still seems to be more or less of a mystery, even after hearing the reply that you made to Judge Crumpacker.

Mr. CLARK. He represents the "ultimate consumer," I presume.

Mr. CRUMPACKER. Have you any interest in any factory or factories abroad?

Mr. CARTON. We have an interest in a factory in Canada.

Mr. CRUMPACKER. Do you contemplate the construction of factories in Europe?

Mr. CARTON. We may possibly some time in the future.

Mr. GAINES. That was not the question; that makes it exceedingly improbable. But Judge Crumpacker's question was: Do you contemplate, does your concern contemplate, that?

Mr. CARTON. It has been suggested, and that is as far as I could say.

Mr. GAINES. Really, you must know why you came down here and what your point of view and interest is. Will you not tell us?

Mr. CARTON. The interest we have in it is that we think that it would be better for the trade as a whole.

Mr. GAINES. Oh, yes; but why?

Mr. CARTON. For the reason that we think that if a 20 or a 25 per cent tariff is sufficient, that it would create a better feeling all around not to have the tariff too high. That is about all.

Mr. GAINES. I agree with you in that. If a certain tariff is sufficient, it will create a much better feeling all around not to have it too high.

Mr. CLARK. What did you establish a factory in Canada for?

Mr. CARTON. To make automobiles.

Mr. CLARK. I know; but there is plenty of room in this country to make them. What did you start it over there for?

Mr. CARTON. To make them over there.

Mr. CLARK. But why not make them over here?

Mr. CARTON. Well, we didn't want to pay the Canadian tariff in shipping over there.

Mr. CLARK. The consumer pays the tariff.

The CHAIRMAN. How much is the Canadian tariff?

Mr. CARTON. I do not know what it is.

Mr. CLARK. Do you know that there is one?

Mr. CARTON. I think there is.

Digitized by Google

Mr. CLARK. Do you know it?

Mr. CARTON. Only what I have been told. When we organized the company over there that was discussed, that is all; it was taken for granted.

Mr. CLARK. You established a factory over there to get the Canadian trade, and also that differential with England?

Mr. CARTON. To get the Canadian trade. We thought we could make them over there—what we sold in that market—instead of here.

The CHAIRMAN. I think they go into Canada under the machinery clause, at 30 per cent.

Mr. CLARK. That is what I supposed.

Mr. MCCALL. Can you make them cheaper in Canada than here?

Mr. CARTON. No; I think not; not the actual making of them.

W. C. DURANT, FLINT, MICH., REPRESENTING BUICK AUTOMOBILE CO., URGES REDUCTION OF DUTY ON MOTOR CARS.

SATURDAY, *December 19, 1908.*

The CHAIRMAN. You want to be heard on automobiles?

Mr. DURANT. Yes, sir.

The CHAIRMAN. Have you anything new to offer in addition to what we have heard already from your company?

Mr. DURANT. I think I have, Mr. Chairman.

The CHAIRMAN. How much time do you want?

Mr. DURANT. I think fifteen or twenty minutes.

The CHAIRMAN. We will give you fifteen minutes.

Mr. DURANT. The Buick Motor Company is opposed to an increase in the tariff on automobiles, is opposed to the retention of the present tariff, and is advocating a reduction to 20 per cent, advocating a separate classification, with a duty of 20 per cent, with 50 per cent duty on automobile parts.

Mr. Carton, our attorney, appeared before the committee some days ago at my request, because it was impossible for me to present the case, having important business in another direction. Mr. Carton stated the case as best he could with the limited knowledge possessed by him, having been called upon to help me out of a difficulty, and I had a conversation of about two hours with him, attempting to express my views. I wish to correct some of the statements made by Mr. Carton, fearing that the committee may be laboring under a misapprehension.

I stated to Mr. Carton that I was not satisfied that the brief filed by the chairman of the licensed association was giving the committee the information which would enable them to frame a proper bill governing the automobile industry. It hardly seems fair that I should be obliged to bring, within the fifteen-minute limit, all of the important matters or factors pertaining to the framing of this bill.

The CHAIRMAN. It hardly seems fair to the committee to be asked to sit here longer, since they gave ample time for the discussion of this question some three or four weeks ago, and also heard your people the other day, and are hearing you to-day. You had better spend your time arguing the question rather than criticising the committee.

Digitized by Google

Mr. DURANT. I did not intend, Mr. Chairman, to criticise.

The CHAIRMAN. If you desire, after you have been heard, to file a brief, you may do so; but your verbal hearing will not be prolonged beyond the fifteen minutes, which was the time you yourself suggested.

Mr. DURANT. The Buick Motor Company has been accused of being interested in the reduction of the tariff by reason of owning a factory in Canada. I wish to say that the Buick Motor Company does not own or control a factory in Canada, but has a very slight interest in an institution in Canada. That concern last year, as I understood, employed a capital of $65,000. They produced 197 automobiles. The amount of their investment in machinery was $12,000, according to their last inventory, with $8,000 worth of that machinery on hand, not in use, representing a total investment in active machinery of $4,000. The company occupies a plant for which they pay $2,500 a year rent, which includes the power, the light, and the heat—hardly as much as we would pay for a retail store in the city of Washington. It has been represented that the fact that we are interested in a small way in that Canadian plant is operating against the statements which we are now making, and which we hope might enable the committee to give us a reasonably fair tariff bill.

Mr. CRUMPACKER. Tell us why you need the reduction. What good will it do you, or the American manufacturers, if you have a reduction in the duty? How are you handicapped now? Tell the committee that in the time you have.

Mr. DURANT. The Buick Motor Company are attempting to establish a permanent business. They already have an investment in plant and equipment of $1,450,000. They produced last year 8,796 machines. They contemplate producing the coming year 18,000 machines. They have employed in their plant, equipment, and with their capital, about $3,500,000. They did not engage in the automobile business with any idea of continuing temporarily for immediate profit, but they expect to remain in the business indefinitely, and the Buick Motor Company believes that it would be unwise to encourage a tariff so high that at some future time, when the composition of this committee is quite different, that we might not be able to present our case as well, and be obliged to submit to a wholesale reduction of the tariff, to our very great detriment.

Mr. UNDERWOOD. In other words, you do not want to build your manufacturing interests on an artificial basis?

Mr. DURANT. No, sir. Again, we are attempting to build up a trade in foreign countries, and from the investigation which we have made we believe such a thing is possible. We are able to meet competition from foreign manufacturers not as well as you were led to believe by Mr. Carton, who did not understand the facts, but because we are attempting to build cars suited to the needs of the foreign trade. The foreign markets have been used by the manufacturers of automobiles in past years as a dumping ground, and American product, I am sorry to say, does not stand high.

Mr. RANDELL. Would it not be a good idea to reduce the price and dump some of the automobiles within reach of our people at home, so that common folks could get an automobile?

Mr. DURANT. Referring to the brief submitted by Mr. Henry B. Joy, the general manager of the Packard Motor Car Company, which

Digitized by Google

is very complete, I take exception to his presentation, as a manufacturer of automobiles, for the reason that it does not correctly state the facts. I believe this committee wants something besides figures, and I believe that they are entitled to the facts, and I am here to give you some.

When the matter of a hearing before this committee was first taken up, as a member of the licensed association committee, I received a circular to the effect that 60 per cent duty was necessary, and that a very careful scrutiny to prevent the undervaluation in the customs was necessary. That circular, if I remember correctly, was dated on the 18th day of November. On the 28th day of November I received at St. Louis, Mo., on my return from Savannah, at the Jefferson Hotel, a telegram asking me if Mr. Joy could represent me at a hearing before this committee, and asking me to urgently urge the retention of the present 45 per cent duty. To Mr. Joy had been delegated the work of preparing all of the figures and facts necessary for the committee. I felt that if the first circular asked us to support a 60 per cent duty that a 45 per cent duty could not be right, and I took the time to investigate; and following the brief submitted, discovered that the whole plan is to protect, not the American workman, but to protect, in a great measure, extravagant management and enormous profits. The American laborer is asked to be protected; and I am asking you to analyze the cost of an automobile, if you care to do so, and find out how much direct labor there is in that automobile that should be protected.

The CHAIRMAN. You have already used your fifteen minutes. I will give you five more, because you were interrupted a minute ago; but you had getter get down to your facts.

Mr. DURANT. The direct labor in the manufacture of an automobile selling at from $1,250 to $1,500 is about 14 per cent. In other words, if a machine costs $700, about $100 of it is direct labor. It has been presented that it was necessary to protect that $100 of direct labor by a 60 per cent duty upon the price of the finished machine. I think it is unreasonable and unfair, and in presenting it to Mr. Carton I asked him to come down here and explain my views.

The CHAIRMAN. Now, you do not mean to have this committee believe that the cost of the labor in making one of these three or four thousand dollar machines, where the raw material itself is not worth more than three or four hundred dollars, is only $100?

Mr. DURANT. I stated, Mr. Chairman, that the cost of a machine listed at from $1,250 to $1,500, approximately $700, that $100 of it will represent the direct labor in the cost of that machine.

The CHAIRMAN. You mean in the automobile factory?

Mr. DURANT. Yes, sir.

The CHAIRMAN. Taking the materials you buy; but the materials you buy—each class of material has a large percentage of labor in it, has it not? Is that true?

Mr. DURANT. Yes, sir.

The CHAIRMAN. So that, to go back to the beginning, the labor is a good deal more than $100?

Mr. DURANT. The direct labor——

The CHAIRMAN. Oh, well, the direct labor in your factory may not be more than $100; I do not know anything about that, but before it gets there the direct labor is a good deal more than $100?

Digitized by Google

Mr. DURANT. But we manufacture our own bodies, our own iron castings, our brass castings; are preparing to manufacture our own aluminum; we make our own motors and our own transmissions.

The CHAIRMAN. What duty do you suggest?

Mr. DURANT. Twenty per cent.

The CHAIRMAN. I am satisfied that 20 per cent would be a protective duty on automobiles. The only question is whether we should make it more for the sake of the revenue, and whether it is not a better thing to get revenue out of than most anything on the list.

Mr. DURANT. If it is a question of revenues——

The CHAIRMAN. That is all there is of it, in my mind; I do not know how the others may look at it.

Mr. DURANT. Then it is hardly right to ask the manufacturers of this country to come here and argue for a position which means, in their opinion, permanency of their business.

The CHAIRMAN. We have not asked you to come here and argue at all. We said we were willing to hear you. We have not asked you to come. We are looking about for revenue.

Mr. DURANT. I thought you were looking for facts.

The CHAIRMAN. We are looking for facts, sir.

Mr. DURANT. I received notice that you would only be too glad——

The CHAIRMAN. When we get the facts we have our own notions how to apply them.

Mr. BOUTELL. What is the object of the 50 per cent on parts?

Mr. DURANT. In order to meet the chairman's objections, to absolutely cover and protect the labor on such parts as we buy, consequently we do not know what labor enters into it or how greatly the labor enters into it.

Mr. FORDNEY. Do you buy any parts of your machines abroad?

Mr. DURANT. No, sir.

Mr. FORDNEY. Some automobile concerns do buy parts of the machines abroad; I did not know but what you did.

Mr. DURANT. No, sir.

The CHAIRMAN. You advocate a duty of 20 per cent on the completed automobile and 50 per cent on all or certain parts?

Mr. DURANT. Yes, sir; imported.

Mr. UNDERWOOD. You say, in your judgment as a manufacturer, 20 per cent on the completed automobile would fully protect all American labor, and provide a reasonable profit?

Mr. DURANT. I think it would; and another thing, in making the comparison, the Packard Motor Car Company has been used in that brief presented by Mr. Joy, as against the Berlier and Fiat. I do not know that we are prepared to accept the Packard standard as the correct standard. Had it been presented by somebody else who had a different idea of values and costs and profits, they might have made the comparison with a $10,000 car, which might have required 150 or 200 per cent. As I understand it, no effort was made to inquire into the cost of machines which they were comparing, neither was there any effort made to inquire into the schedule of wages in foreign countries, as against the schedule of wages paid to the American workmen. In a general way, 8 concerns have been quoted as against 34 concerns in European countries, employing, in the aggregate, about the same number of men; but I find, upon analysis, that the 8 American concerns, employing 11,400 men, means an average of 1,425 men

Digitized by Google

employed, whereas in all Europe—and they have not given the names of the institutions—10,347 men are employed in the aggregate, an average of about 300 men per factory, and we know, as manufacturers, that small institutions employing 300 men can not compete with concerns employing 1,500, 2,000, or 2,500 men. For that reason I do not think that you are getting the information that will enable you to properly frame this bill.

The CHAIRMAN. We do not seem to be getting much information from you.

Mr. DURANT. I am here to be questioned, Mr. Chairman.

Mr. UNDERWOOD. Have you got the data yourself as to the labor cost in the different countries on these automobiles?

Mr. DURANT. It is presented in the brief submitted by Mr. Joy.

Mr. UNDERWOOD. Your representative?

Mr. DURANT. No, sir.

The CHAIRMAN. That is all printed, is it not?

Mr. DURANT. That is printed; yes, sir.

The CHAIRMAN. It is all printed in the hearings?

Mr. DURANT. Yes, sir.

Mr. UNDERWOOD. And you agree with his statements as to the labor costs?

Mr. DURANT. I assume that they are correct; I do not know. But assuming that they are correct, I do not think that it justifies a 60 per cent duty or the retention of the present 45 per cent duty to protect the difference between the labor cost in Europe and the labor cost in America.

The CHAIRMAN. I should be very much surprised if it did. I think you have stated it truly. I am inclined to agree with you on that fully.

Mr. UNDERWOOD. Is it an expensive business shipping these automobiles?

Mr. DURANT. Shipping abroad?

Mr. UNDERWOOD. Well, shipping them either way, for us to ship abroad or for their competition to come in here. Are the freight rates high?

Mr. DURANT. Rather; yes, sir. It is figured at about 5 per cent.

Mr. UNDERWOOD. The freight rate would bring it in at about 5 per cent?

Mr. DURANT. I think so.

Mr. UNDERWOOD. Then that adds 5 per cent to the duty.

The CHAIRMAN. The better way to get at it is that there is a much greater demand than supply. The factories can not meet the demand. The supply is much smaller than the demand. Is that not true?

Mr. DURANT. At certain seasons of the year the demand is very great.

The CHAIRMAN. Do you not have to order them months in advance, as a general rule? It has been stated so here, and I have heard it outside of here. Now, is it not true?

Mr. DURANT. In some lines, yes, sir; some makes of cars.

The CHAIRMAN. And the makers can charge about what they wish to for them?

Mr. DURANT. Yes.

The CHAIRMAN. And they have been doing it, and they will until the supply catches up to the demand. Is that correct?

Digitized by Google

Mr. DURANT. Hardly correct.

The CHAIRMAN. Well, pretty nearly correct.

Mr. DURANT. The demand for machines is greatest in the spring of the year. That is about the time that people usually prefer to purchase a machine if they can get it. Deliveries in the spring months are at a premium, because an automobile requires considerable time to manufacture.

The CHAIRMAN. That is sufficient.

Mr. BOUTELL. What are your freight rates from Flint to New York City on automobiles?

Mr. DURANT. I think $75 a carload, containing usually three machines.

Mr. BOUTELL. Twenty-five dollars a machine?

Mr. DURANT. About that; yes, sir.

Mr. BOUTELL. What sized machine; the large touring car, or your small runabout?

Mr. DURANT. The five-passenger touring car.

Mr. BOUTELL. What would be the ocean rate on that car from London to New York?

Mr. DURANT. I would be unable to state.

Mr. BOUTELL. Have you not investigated it; have you not some idea?

Mr. DURANT. No, sir.

Mr. BOUTELL. You have stated here that you contemplated building a factory in Europe; was that erroneous?

Mr. DURANT. It is the intention of the Buick Motor Company to obtain a foreign trade.

Mr. BOUTELL. I asked if it was the intention of the Buick Motor Company or parties in interest in it to build an automobile factory in Europe?

Mr. DURANT. At this moment I could not answer that question yes or no.

Mr. BOUTELL. There is no use fencing with the committee. If you do not want to state, you need not, but it was stated here by your attorney that it was contemplating building a factory in Europe. That may explain what would otherwise be unintelligible, why you wanted a reduction in the duty, and I simply asked you, as the general manager, whether that was true. With the reduction in the duty, and the difference between the ocean rates and the railroad rates, it would be apparent that there was a very good business reason for your advocating a lower duty.

Mr. DURANT. It would not be likely that we would want to destroy our own home trade by reducing the tariff to permit of our manufacturing abroad where we have no special interest.

Mr. RANDELL. But that is not answering the question, whether you expect to begin manufacturing abroad or not.

Mr. DURANT. No, sir.

Mr. RANDELL. Why did you not answer the question?

The CHAIRMAN. We have heard the gentleman for half an hour; we have not been able in the last five minutes, to get any facts out of him. He approves of the statement of Mr. Joy, so far as the facts are concerned. I do not know why we should lose any more time Saturday afternoon, and therefore we will excuse you, if you will allow us to. [Laughter.]

Digitized by Google

HENRY B. JOY, PACKARD MOTOR COMPANY, DETROIT, MICH., SUBMITS LETTER OF FIAT AUTOMOBILE CO.

DETROIT, MICH., *December 22, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.

DEAR SIR: I take the liberty of advising you that in the brief of the motor-car manufacturers, which we are struggling to get ready, we suggest that the Fiat Automobile Company in New York is connected so closely with the Fiat Automobile Company, of Turin, Italy, that the sales prices of cars between the factory and the New York store for the purposes of custom-house valuation may not be exactly on the level. In support of this, since yesterday I have seen the original letter of the Fiat Automobile Company, of New York, to the mayor of the city of Detroit, a copy of which I inclose to you herewith, in which the Fiat Automobile Company, being the New York company, speaks constantly throughout the letter of its relationship to the parent factory in Turin, Italy, which may be of interest to your committee.

It is also worthy of note that the tariff laws as they now exist have produced an intent in the minds of the Turin company to remove the major part of its factory to America.

Yours, very truly,

PACKARD MOTOR CAR CO.,
HENRY B. JOY.

EXHIBIT A.

NEW YORK, *December 15, 1908.*

The MAYOR, *Detroit, Mich.*

DEAR SIR: Owing to the strong probability that there will be no relief for imported cars in any customs revision that may be made under the new administration, we have decided to establish a large factory in this country for the manufacture of our cars and to remove to it a large portion of our manufacturing machinery, as well as our organization from Turin.

We are therefore looking about for a suitable place to locate this new factory, which will be of very large proportions, and are writing you with the hope that you will do us the courtesy of bringing this question before the proper persons or organization in your city, with the idea that we may ascertain what inducements would be made, if any, for the establishment of such a plant in Detroit. We would guarantee to employ 500 skilled mechanics to begin and within a year employ 2,000.

One of the officers of this company expects to sail for Europe about the middle of January, and any proposition that we might receive from your city will be submitted to our directors in Italy, upon his arrival, when the matter will be definitely considered and settled.

Trusting to have the honor of your esteemed reply at your earliest convenience, we are,

Very respectfully, yours,

FIAT AUTOMOBILE COMPANY,
E. R. HOLLANDER, *Vice-President.*

HON. EDWIN DENBY, M. C., FILES LETTER OF THE CHALMERS-DETROIT MOTOR COMPANY, DETROIT, MICH.

DETROIT, MICH., *November 30, 1908.*

Hon. EDWIN DENBY,
216 Moffatt Block, City.

MY DEAR MR. DENBY: I had hoped to see you this past week and have a little talk with you on the subject of tariff on automobiles. You are undoubtedly familiar with the fact that this question has come up before the Ways and Means Committee, and that the auto-

mobile manufacturers are going to submit a brief on the subject. You undoubtedly have by now a memorandum from several of the automobile manufacturerers regarding the present status of the automobile industry. If not, I will be glad to furnish you this, as it is a very concise statement of the American industry at the present time. This district is vitally interested in the success of the automobile business. The present protective tariff on motor cars has possibly done more to stimulate the growth of Detroit in the last five years than any one thing. The automobile industry has been of great advantage to this country, and as the manufacturers are now gradually expanding, so that they can take up foreign trade, it is going to be an industry that will bring much revenue from foreign countries into America.

I doubt not that we may count upon your support to see that no change is made in the existing tariff. Will be very pleased, indeed, to have a line from you on the subject.

Yours, very truly,

CHALMERS-DETROIT MOTOR CO.,
R. D. CHAPIN,
Treasurer and General Manager.

HON. S. W. SMITH, M. C., SUBMITS LETTER OF THE DETROIT (MICH.) WIRE SPRING COMPANY, RELATIVE TO REDUCTION OF DUTY ON AUTOMOBILES.

DETROIT, MICH., *January 7, 1909.*

Hon. SAMUEL W. SMITH, M. C.,
House of Representatives,
Washington, D. C.

DEAR SIR: We have become very much interested and have given considerable of our attention to the reports of the views of several of the Ways and Means Committee, and we feel that as an American manufacturing concern—and one directly interested in the welfare of the American automobile industry—it is proper for us to express our views in regard to the matter of tariff on foreign automobiles coming into this country.

We are manufacturers of cushion springs, which are used exclusively for high-grade automobiles, and which we sell at a fair margin of profit, and if the tariff was taken off foreign automobiles and foreign cars allowed to compete on the American market, we could not expect to get any of this business for two reasons: First, we could not employ labor at the price at which it is employed in foreign countries, and the labor item represents two-thirds of the cost of our product. Second, even if we could get the labor at the same price, we could not overcome the excessive transportation rates between here and the foreign country and compete with them.

We are employing in the neighborhood of 100 men, most of whom are married and have families and are dependent upon this plant running. We feel that should the duty on foreign cars be withdrawn to such an extent that they could come into the American market we would be forced out of business completely.

While we are only a small concern compared with many others catering to the automobile industry, we feel that it would not only drive our business to the wall, but many hundreds of other concerns

Digitized by Google

as well; and when taking into consideration the vast number of people dependent upon concerns such as ours, it would be a great injustice to the American people to allow foreign concerns to jeopardize these industries and the livelihood of those dependent upon them.

No doubt you are familiar with the blow dealt the automobile industry the past year, and the many thousands of people who were out of employment. This, in our consideration, is a very mild form of the conditions that would exist should the tariff be withdrawn altogether, or withdrawn to such an extent that foreign cars could come into this market.

We believe that any fair-minded American, and we might say patriotic American, who would stop to think of what it would mean to make a move of this sort, could not conscientiously sanction any move of this kind.

In closing, we heartily and sincerely indorse the statement of Mr. Joseph W. Fordney when he said, "I want the duty so infernal high that no foreign automobile could get into this country to destroy that labor."

We trust that every true American will do as we have done, so that the committee acting on this matter may have brought to them the facts of the case in its true light.

We beg to remain,

Very truly, yours, DETROIT WIRE SPRING COMPANY,
Per D. A. YOUNG, *General Manager.*

AMERICAN MANUFACTURERS OF AUTOMOBILES FILE SUPPLEMENTAL BRIEF IN FAVOR OF PROTECTIVE DUTY.

WASHINGTON, D. C., *December 31, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
Washington, D. C.

Whereas the Republican party declares unequivocally for the revision of the tariff by a special session of Congress, and commends the steps already taken to this end in the work assigned to the appropriate committees of Congress which are now investigating the operation and effect of existing schedules, and states:

> In all tariff legislation the true principle of protection is best maintained by the imposition of such duties as will equal the difference between the cost of production at home and abroad, together with a reasonable profit to American industries. We favor the establishment of maximum and minimum rates to be administered by the President under limitations fixed in the law, the maximum to be available to meet discriminations by foreign countries against American goods entering their markets, and the minimum to represent the normal measure of protection at home, the aim and purpose of the Republican policy being not only to preserve, without excessive duties, that security against foreign competition to which American manufacturers, farmers, and producers are entitled, but also to maintain the high standard of living of the wage-earners of this country, who are the most direct beneficiaries of the protective system.

Now, therefore, the American automobile manufacturers enumerated below, speaking for 95 per cent of the active industry,[a] have

[a] For authorization see letters and telegrams filed in the original for information of Ways and Means Committee as Exhibit A.

Digitized by Google

authorized their respective tariff committees, through their chairmen, to present this memorial to your honorable committee.

These parties are all manufacturers of complete automobiles, for each of which there is a score of dependent manufacturers in allied industries.

List of active manufacturers represented.

No.	Name.	Address.
1	Abendroth & Root Manufacturing Co	Newburgh, N. Y.
2	Acme Motor Car Co	Reading, Pa.
3	American Locomotive Co	Providence, R. I.
4	American Motor Car Co	Indianapolis, Ind.
5	Apperson Bros. Automobile Co	Kokomo, Ind.
6	Atlas Motor Car Co	Springfield, Mass.
7	Austin Automobile Co	Grand Rapids, Mich.
8	Autocar Co	Ardmore, Pa.
9	Brush Runabout Co	Detroit, Mich.
10	Buckeye Manufacturing Co	Anderson, Ind.
11	Cadillac Motor Car Co	Detroit, Mich.
12	Cartercar Co	Pontiac, Mich.
13	Chadwick Engineering Works	Pottstown, Pa.
14	Chalmers-Detroit Motor Co	Detroit, Mich.
15	Corbin Motor Vehicle Corporation	New Britain, Conn.
16	Crawford Automobile Co	Hagerstown, Md.
17	Dayton Motor Car Co	Dayton, Ohio.
18	De Luxe Motor Car Co	Detroit, Mich.
19	Dorris Motor Car Co	St. Louis, Mo.
20	Electric Vehicle Co	Hartford, Conn.
21	Elmore Manufacturing Co	Clyde, Ohio.
22	Everitt-Metzger-Flanders Co	Detroit, Mich.
23	Franklin Manufacturing Co., H. H	Syracuse, N. Y.
24	Gearless Motor Car Co	Rochester, N. Y.
25	Grabowsky Power Wagon Co	Detroit, Mich.
26	Haynes Automobile Co	Kokomo, Ind.
27	Holsman Automobile Co	Chicago, Ill.
28	Jackson Automobile Co	Jackson, Mich.
29	Jeffery Co., Thomas B	Kenosha, Wis.
30	Knox Automobile Co	Springfield, Mass.
31	Locomobile Company of America	Bridgeport, Conn.
32	Lozier Motor Co	Plattsburg, N. Y.
33	Mack Bros. Motor Car Co	Allentown, Pa.
34	Marion Motor Car Co	Indianapolis, Ind.
35	Matheson Motor Car Co	Wilkes-Barre, Pa.
36	Maxwell-Briscoe Motor Co	Tarrytown, N. Y.
37	Midland Motor Car Co	Moline, Ill.
38	Mitchell Motor Car Co	Racine, Wis.
39	Moline Automobile Co	Moline, Ill.
40	Moon Motor Car Co	East Moline, Ill.
41	Mora Motor Car Co	Newark, N. Y.
42	National Motor Vehicle Co	Indianapolis, Ind.
43	Nordyke & Marmon Co	Do.
44	Northern Motor Car Co	Detroit, Mich.
45	Oakland Motor Car Co	Pontiac, Mich.
46	Overland Automobile Co	Indianapolis, Ind.
47	Packard Motor Car Co	Detroit, Mich.
48	Peerless Motor Car Co	Cleveland, Ohio.
49	Pennsylvania Auto-Motor Co	Bryn Mawr, Pa.
50	Pierce Co., George N	Buffalo, N. Y.
51	Pope Manufacturing Co	Hartford, Conn.
52	Pope Motor Car Co	Toledo, Ohio.
53	Premier Motor Manufacturing Co	Indianapolis, Ind.
54	Rapids Motor Vehicle Co	Pontiac, Mich.
55	Regal Motor Car Co	Detroit, Mich.
56	Reo Motor Car Co	Lansing, Mich.
57	Royal Tourist Car Co	Cleveland, Ohio.
58	Sampson, 2d, Alden	Pittsfield, Mass.
59	Selden Motor Vehicle Co	Rochester, N. Y.
60	Simplex Motor Car Co	Mishawaka, Ind.
61	Stearns Co., F. B	Cleveland, Ohio.
62	Stevens-Duryea Co	Chicopee Falls, Mass.
63	St. Louis Car Co	St. Louis, Mo.
64	Studebaker Automobile Co	South Bend, Ind.
65	Thomas Motor Co., E. R	Buffalo, N. Y.
66	Walter Automobile Co	Trenton, N. J.
67	Waltham Manufacturing Co	Waltham, Mass.
68	Welch Motor Car Co	Pontiac, Mich.
69	Winton Motor Carriage Co	Cleveland, Ohio.

Digitized by Google

A single concern that communicated with your chairman, namely, the Ford Company, has since then expressed itself by letter to the chairman of this committee, which letter constitutes Exhibit H.

One other manufacturer, the Buick Motor Company, has caused counsel to appear before your committee, and, it would seem, is not favorably inclined toward maintaining the tariff on automobiles, though it desires 50 per cent duty on parts, and its views can doubtless be judged as representing a purely personal standpoint and relating to purely internal affairs, as shown by the telegram in appendix.

A Mr. Miles appeared before your committee, but any reference he made to the automobile industry can be best answered by the fact that he referred to a "Captain Mitchell" as in favor of a reduction, when the same captain, Mitchell Lewis, has given his authority to be included among the petitioners herein represented. Mr. Miles referred to two or three manufacturers as favoring automobile duty reduction, but all of them are manufacturers of agricultural machinery, whose business in that line might be benefited by increased exports, owing to any reciprocal duty arrangement. Bearing on the unwarranted remarks of this Mr. Miles, we submit a telegram from a large manufacturer solely making automobiles and, attached thereto, the telegram from Mr. Miles in reply, showing the entire lack of direct knowledge. Both telegrams are printed in full in appendix.

We submit that it is our belief that the tariff on automobiles should be one to protect the American workman against the low wages paid abroad, in accordance with the principles actuating a protective tariff and consistent with the doctrines governing the revision of the tariff.

The facts relating to this industry amply warrant your honorable body in recommending a separate and distinct classification of automobiles and the imposition of a sufficient duty to properly protect American labor and investment.

In order to fairly judge the situation and ably draw your conclusions this brief is respectfully submitted, and there is appended a detailed discussion of the facts herein set forth and the arguments, while exhibits in proof of our contentions are supplied you containing material confidentially submitted, as much of it is personal and part pertinent to internal competition.

In brief, we submit facts relating to the importance of our industry, its condition, the difference in labor and cost of production, "market value," value of imports and their increase, the question of foreign trade agreements, reciprocal trade relations, the birth of our industry, the absurdity of any basis for the allegation of any existing "trust," which will be a full and complete refutation of any previous incidental statements made to your committee by misinformed individuals.

And, in brief, we submit the arguments of the necessity for the protection of labor employed by this and allied industries; the protection against fraud and undervaluation; the desirability of a separate classification; the maintenance or increase of the present tariff rate; and otherwise as may hereinafter appear.

There are at present 253 recorded makers of automobiles in this country. Seventy to 80 are marketing a product that is of importance. (See foregoing list.)

The number of people directly employed in motor-car factories is upward of 100,000, and the number of others employed in the allied industries is being compiled for your committee.

Digitized by Google

The number of establishments allied with this industry and more or less dependent upon their success is approximately 4,000. (See appendix.)

Foreign manufacturers are protected in their patent rights in America, while American manufacturers must manufacture abroad in order to retain their foreign patent rights.

The price of labor in America is two and one-half times as much as it is in Europe, and the cost of selling in America is one and one-half times as much as it is in Europe, while the cost of technical employees is twice as much here as in Europe. We do not at this time enumerate the difference in the cost of material, advertising, rents, insurance, or all overhead charges. (See appendix.)

If the tariff is to be primarily adjusted at the difference between wages paid here and abroad, then the tariff should be 60 per cent instead of 45 per cent. This is not the desire of your petitioners. We seek to have automobiles specified as such in the tariff bill itself, and not governed as now by a tentative ruling of the Treasury Department. While the present duty of 45 per cent may not be a sufficient protection as time goes on and trade conditions change, still the industry itself should by its own strength be able to meet these emergencies. As a matter of fact, the industry is still in such a condition of early growth that final figures can not be made absolute on an exact rate of full protection in the tariff.

In the brief statement filed with you by our committee on November 25, 1908, we stated that strenuous efforts were being made by various manufacturers abroad to introduce their goods in the American market, and that to do so there had been enormous reduction in prices, special export discounts, and, as we believe, undervaluations. The "protective" tariff of 45 per cent ad valorem has been almost wiped out by a reduction of 25 per cent to 30 per cent in the so-called "market value" of automobiles abroad and an additional 10 per cent discount to dealers. (For verification, see appendix.)

If your committee will take into consideration the figures quoted in appendix in conjunction with the statements and facts shown in private and confidential Exhibit C, we believe you will find there is some basis for our contention that the import values are not fair, and do not justly express actual market value, and that commercial conditions are making it possible to import into the United States and sell at prices lower than American product.

The fact of overproduction and the alarming commercial conditions prevailing at present in this industry abroad is shown in the reports from the automobile shows in London and Paris in the various foreign trade publications comprising Exhibit G.

Individuals are allowed to import a single machine purchased abroad and to bring it in under section 19, when the law is clearly defined on actual purchases under sections 3 and 4. This alone has made a difference in revenue to the Government of over $200,000, and given to the foreign manufacturer an unfair advantage over the American manufacturer and dealer. (See Exhibit C, Rochet-Schneider case.)

We call the attention of your committee to a Treasury ruling which permits an examiner of automobiles (custom-house) to place a market value upon machines which may have been used for a period of less than a year abroad, and respectfully suggest that there be some arbi-

Digitized by Google

trary rule adopted, governed either by the length of ownership, number of miles traveled, or actual condition of the vehicle, or a rule which takes in all three of these elements. (For example see private Exhibit C.)

We wish especially to call your attention to the evasions of existing treasury regulations, T. D., 23743, and T. D., 26162, to which the custom officials are constantly subjected by reason of false representation made by importers of cars alleged to be for racing and touring purposes only. Cars are regularly imported under above provisions of the regulations, and, contrary to said regulations, being exposed for show purposes and sale and being sold. Under these regulations an importer is enabled to expose for sale cars imported for alleged racing or touring purposes for a period of three months after importation without the payment of duty thereon. The only penalty provided in the bond given under these regulations is the payment of the duty or the exportation of cars. (See Exhibit C.)

We call your attention to the fact that a 40-horsepower Fiat car made by the Fabrico Italiano Automobilio Torino in Turin, Italy, sold in 1907 at 17,500 francs, less a discount to agents of 20 per cent, and which entered this country at a market value of 14,000 francs, has been reduced in price and is now entered at the port of New York at 8,000 francs net, a reduction of $1,200 in the price of this machine. One hundred and fifty of these 40-horsepower machines have been imported into this country. The machines are consigned to an Italian banker. The close alliance and interest apparently existing between the Fabrico Italiano Automobilio Torino, of Turin, Italy, and the Fiat Automobile Company, of New York, is fairly deducible from the phraseology of a letter from the New York company to the mayor of Detroit, dated December 21, 1908, from which we quote as follows:

> We have decided to establish a large factory in this country for the manufacture of our cars, and to remove to it a large portion of our manufacturing machinery as well as our organization from Turin.

We submit complete copy of this letter as Exhibit E.

Referring to the foregoing paragraph we desire to call your attention to the fact that the automobile therein specified is offered for sale in this country at $6,000 with body and equipment, and $5,000 for the chassis alone. Also, that agents receive a discount of 20 per cent from the last price, leaving a net selling price of $4,000, and a margin of profit to the importer of $1,600 less the cost of equipment with mud guards and running boards, which is trifling. It is clear that the importer has this ample margin with which to meet and undersell American competitors with the Italian factory. (See appendix.)

We also call your attention to the fact that the Lancia car, made by Lancia & Co., Turin, Italy, is offered for sale at list price with tires in France, England, and Italy, for $2,000, and after adding 45 per cent duty and 5 per cent import charges is offered for sale in this country, similarly equipped, for $1,800—or in other words for $200 less than its parallel selling price abroad. (See Exhibit C, Lancia case.)

In view of the fact that the aggregate value of imported vehicles between 1906 and 1908 has been reduced almost 50 per cent, and between 1907 and 1908 26 per cent, and the average value per vehicle

Digitized by Google

for a corresponding period shows a respective reduction of 40 per cent and 30 per cent (see appendix) we urge upon your committee the imperative necessity of such provisions in the interpretation of the words "market value" as will entail the requirement of certain specific rulings under certain conditions without permitting the exercise of discretion by the administrative officers of our ports.

There has been a constant growth in importations, increasing yearly in volume, decreasing yearly in average value. We refer you also to the statistics of imports compiled by the Department of Commerce and Labor.

The retail value of foreign cars sold in America during a period of six years, with additional parts, is approximately $52,677,046. (See appendix.) The value of American cars sold in America for a corresponding period is approximately $250,000,000.

A motor vehicle of any kind can be made in Europe certainly for 60 per cent of the cost thereof in America, including the manufacturer's profit, as shown in the Fiat case, and by the figures on cost of materials and labor.

We particularly point out that Mr. Charles H. Sherrill, representing the importers, and especially the Fiat Company, of Italy and America, stated to your committee that the tariff ought to be reduced to 33 per cent. In other words, such a rate of tariff would be satisfactory to the Italian company as giving it free access to the American market.

It is further of the utmost importance to note that Mr. Sherrill also admitted that the 40-horsepower Fiat chassis, which we referred to in our preliminary brief and which we refer to again in this brief as being imported at a customs value of $1,800, was actually imported at a customs value of $1,600, and he further stated that this sum of $1,600 was the full and total sum which went abroad in full payment of the 40-horsepower chassis referred to.

We direct your attention especially to a complete and detailed refutation of erroneous statements made by Mr. Sherrill in his hearing before your committee, in the attached appendix and exhibits referred to therein.

We wish most urgently to impress upon your committee that with 60 per cent of American cost a tariff of 65 per cent, plus 5 per cent freight and import charges, would still permit a European manufacturer to place his product on the American market at 102 per cent of the American cost—only a margin of protection of 2 per cent. If, however, you assume that average European costs are 65 per cent of American costs (though American workmen are entitled to protection against the cheapest labor and not the average labor), then a tariff of 45 per cent, plus 5 per cent freight and import charges, would put foreign cars on the American market at 97½ per cent of the American cost. (See appendix and problems below.)

Assume American costs	per cent		100
Assume European costs	per cent		60
Assume duty	per cent	65	
Assume freight	do	5	
Add	do	70 =	42
			102
Margin for protection without profit	per cent		2

Digitized by Google

In this case 65 per cent duty affords only 2 per cent margin of protection on cost basis without profit.

Assume American costs	per cent		100
Assume European costs	per cent	65	
Assume duty	per cent	45	
Assume freight	do	5	
Add	do	50=32½	
			97½

In this case 45 per cent duty lacks 2½ per cent of protection on cost basis without profit.

Assume American costs	per cent		100
Assume European costs	per cent	70	
Assume duty	per cent	45	
Assume freight	do	5	
Add	do	50= 35	
			105
Margin without profit	per cent		5

In this case allowing even that European costs are as high as 70 per cent (which we allege is not the fact, however), a 45 per cent tariff rate affords a margin of protection of only 5 per cent without profit.

We will next call attention to the manufacture of commercial vehicles, cabs, etc.

The industry of manufacturing commercial vehicles in America to-day absolutely does not exist to the extent that it may be dignified as an industry, yet it is in process of evolution, though its development will be slow.

There are many reasons for this. The most important are that the commercial vehicles so far manufactured and sold to users have had so large an annual depreciation and cost of operation that people who bought them lost money and are timid about further investments in commercial vehicles.

In the next place, it is natural that commercial vehicles should follow in the wake of the so-called pleasure motor vehicle, because all of the engineering of pleasure vehicles practically applies to commercial vehicles, though the shop equipment of a pleasure vehicle factory is not of the nature to produce the parts of commercial vehicles, many of which are heavier and larger than can be worked on pleasure vehicle machine tools. The pleasure vehicle manufacturer has also been obliged to devote every scrap of his energy, talent, and money in the most strenuous effort to get his pleasure vehicle business onto a paying basis, and in only a few cases has this been accomplished. In the very large percentage of cases they are yet striving toward this end. When this has been accomplished, the natural direction will be toward the production of commercial vehicles, which must go through to a great extent a similar process of evolution at a great expense to the manufacturer before they arrive at the crystallized final marketable product.

It would be unfortunate in the extreme to deprive the commercial vehicle of the protection which will insure its evolution and development in America and open our American markets to the foreign commercial vehicles which are now coming forward in the European markets.

We urgently insist that the same protection be accorded to commercial vehicles as now exists on pleasure vehicles, namely, 45 per

Digitized by Google

cent duty, and possibly your committee may recommend a higher duty in view of all the facts.

It has been suggested that a commercial vehicle does not need so high a rate of duty to protect it as does the pleasure vehicle on account of the alleged fact that in the commercial vehicle labor is not so large a component part of its cost in proportion to the value of the material purchased as is the case in pleasure vehicles. So far as the crude information goes which we now possess as to the commercial vehicle industry it goes to show that the commercial vehicle made in the highest possible class of workmanship and material, in order that it shall have the longest possible life and least possible annual depreciation or cost of upkeep consistent with the stage of the art, has exactly the same or so nearly the same relation between labor and material that it is not possible to classify it separately and give it a separate tariff from the pleasure vehicle. It should, in our judgment, be in the same tariff scale with other motor vehicles and be allotted a 45 per cent or greater duty, if the greatest value to the American workman is to be obtained by the development of the commercial vehicle industry in America, to say nothing of its importance to the entire transportation and manufacturing interests of the United States.

In connection herewith we wish to call the attention of the committee to the very free imports of taxicabs now going on.

The Packard Motor Car Company is obliged to ask $3,700 for its 3-ton-load capacity truck, and Mr. Henry B. Joy, its president, states that it will take many hundreds of thousands of dollars and many months of time before it can build up a sufficient demand to enable it to make any profit whatever at that price. To-day, the De Dion Bouton Company, of Paris, is landing at the New York customs a 3-ton truck at a duty valuation of about $2,500, which, with duty and import charges of 50 per cent additional, place the truck on the New York market at $3,750, including manufacturer's profit and middleman's profit, while the Packard Company has yet to make a deduction from its price stated above of 10 per cent to the dealer.

We call your attention to the Wyner-Huber-Reich letter, addressed to our special agent, Mr. James M. Carples, with reference to motor-truck prices from Austria. (See Exhibit F.)

Commercial conditions summarized are as follows: The 253 recorded American manufacturers of automobiles are grouped as follows:

Michigan	39	Missouri	12
Illinois	39	Wisconsin	6
Indiana	30	Minnesota	6
Ohio	30	Kansas	1
Iowa	7	Nebraska	2
New York	29	Colorado	1
Pennsylvania	18	California	4
New Jersey	4	Nevada	1
Maryland	2	Texas	1
Massachusetts	16		
Connecticut	4		253
Rhode Island	1		

About 80 of these are marketing a product that is of some importance to the trade. About 10 per cent of the whole number (25) have so far, possibly, made a commercial name, but we doubt if even 20 manufacturers can show a fair profit.

Digitized by Google

Notwithstanding the great number of machines sold and the amount of money invested, it is a fallacy in the public mind that the manufacture of automobiles represents a very large profit. At least 90 per cent of the manufacturers of automobiles in this country are not to-day making manufacturing profits, and but few concerns engaged in the business have been in any sense successful. This is not because of poor business management, but on account of the large amount of capital required in the experimental and development stages to bring the industry to its present condition and the many unusual risks incident to the conduct of a business of this character. The industry is profitable only in the event of there being an especially desirable product combined with ample capital, skill, and foresight, and a selling ability properly proportioned to market a large product. A record of the development of the industry is submitted herewith:

In 1902:		
Concerns in business	51	
Discontinued that year	18	
Concerns carried over into 1903	33	
Increase during year		33
In 1903:		
Concerns started up	71	
Discontinued the same year	30	
Concerns carried over into 1904	74	
Increase during year		41
In 1904:		
New concerns started	54	
Discontniued	40	
Concerns carried over into 1905	88	
Increase during year		14
In 1905:		
New concerns	51	
Discontinued that year	38	
Carried over into 1906	101	
Increase during year		13
In 1906:		
New concerns	43	
Discontinued	29	
Carried over into 1907	115	
Increase during year		14
In 1907, new concerns		51
		166

NOTE.—Of the 51 concerns in business in 1902 only 21 survive and are in business to-day.

The foregoing picture of the vicissitudes of individual concerns is the more appreciated by our manufacturers themselves, who recognize the uncertainty of prolonged success. History shows many times over the failure of concerns which have been successful temporarily to hold the gain which they had made.

The foregoing record shows:	Concerns.
In business in 1902	51
Started from 1902 to 1906, inclusive	270
Total	321
Discontinued during five years	155
In business December 31, 1906	166

Digitized by Google

The National Association of Automobile Manufacturers is composed of the members of both the other organizations and of a number of other manufacturers not affiliated with either organization. A copy of their articles of agreement is submitted. (Exhibit D.)

The American Motor Car Manufacturers' Association is composed of 44 manufacturers who do not recognize the validity of the Selden patent. A copy of their articles of agreement is submitted. (Exhibit D.)

The Association of Licensed Automobile Manufacturers is composed of a group of 30 automobile manufacturers of America who recognize the validity of the Selden patent and pay royalties thereunder. A copy of their articles of agreement is submitted. (Exhibit D.)

A careful perusal of the various articles of agreement (Exhibits D) above noted will convince your committee that none of the associations above enumerated have anything in common but the general good and welfare of the industry; that there are no trade or price agreements of any kind, either written or what is commonly known as "gentlemen's agreements;" that there is no understanding as to output, but that there is the keenest competition between all of their members; in fact, the opinion of the supreme court of the State of New York, as expressed in the decision in which one of these agreements figured, stated:

> That the rights and liabilities of the members of the Association of Licensed Automobile Manufactures are controlled by its articles of association which constitute a contract the terms and provisions of which are binding on all its members.
>
> That the provisions of the articles of association of the Association of Licensed Automobile Manufacturers are reasonable and not opposed to public policy or the law of the land.

We urge that American labor requires protection by an adequate tariff, in view of the lower cost of labor abroad, and from the overproduction of the European automobile factories, who have the advantage of cheap labor, lower cost of material, best American machinery and longer experience. (See appendix.)

That the possibility of undervaluation and fraud on the revenue be prevented by providing for a proper or uniform interpretation of "market value" (see Exhibit C and appendix), and we submit that in the judgment of your committee you may deem it wise to recommend a higher tariff than now exists, but if not we certainly urge that it would be wise and proper to so provide in the tariff that an additional 5 per cent, making 50 per cent in all, may be added by proper authority upon a proper and adequate showing of the necessity therefor, and that this shall be specifically mentioned in the act, together with the conditions governing the necessity of the application of the additional rate, written in plain language, and leaving nothing to the discretion of administrative officers. That note be taken of the fact that our United States tariff rate as it exists is only 10 per cent higher than the Canadian tariff rate. Even, therefore, considering Canada's cheaper labor, lower costs of manufacturing in every way, yet they find it necessary to impose a tariff rate nearly equal to our own, and further safeguard their interests by exacting a "dumping duty," which is graduated to protect against overproduc-

Digitized by Google

tion and special export prices abroad. This is all we ask in the previous paragraph.

As heretofore stated, automobiles are subject to a duty of 45 per cent, and section 19 of the administrative act provides, in part:

> That whenever imported merchandise is subject to an ad valorem rate of duty based upon or regulated in any manner by the value thereof, the duty shall be assessed upon the actual market value or wholesale price of such merchandise as bought and sold in usual wholesale quantities, at the time of exportation to the United States, in the principal markets of the country from whence imported, and in the condition in which such merchandise is there bought and sold for exportation to the United States or consigned to the United States for sale.

Now, the German trade agreement, promulgated on April 22, 1907, section A, provides:

> Market value as defined by section 19 of the customs administrative act shall be construed to mean the export price whenever goods, wares, and merchandise are sold wholly for export, or sold in the home market only in limited quantities, by reason of which facts there can not be established a market value based upon the sale of such goods, wares, and merchandise in usual wholesale quantities, packed ready for shipment to the United States.

Thus you will see that this foreign trade agreement is absolutely contrary to the provisions of law laid down by Congress.

We wish to most urgently protest against reciprocal trade relations, such as have been advocated before the Ways and Means Committee by Mr. H. E. Miles, chairman of the tariff committee of the agricultural implement manufacturers. It seems unjust and unrighteous that it should be even considered as good protective policy by Congress to remove an adequate protective tariff from one industry, thus opening it to the chance of destruction by foreign competition, in order to induce some foreign government to reduce its rate of tariff on some other American product, in order to promote the expansion of one line of American manufacture at the expense of another.

Mr. H. E. Miles stated before the committee that he was informed by members of the Government that satisfactory relations could be made with foreign countries to the end that if we reduced the tariff on certain imports into America, exports in other lines of manufacture might be increased. This we submit would be more properly termed "Cannibal" reciprocity than true reciprocal trade relations.

This is the line of thought which produced the German trade agreement, which we submit is in error and unjust to many American industries. The reduction of an American tariff on an article not produced in America in order to secure a reduction in certain European tariffs which might thus increase American exports, is eminently proper and wise, but we submit that the slaughter of one industry for the benefit of another is not in accordance with wise protection.

Again, section 11 of the administrative act provides how customs officers may arrive at market value in case it is not ascertainable through the ordinary channels, but the German trade agreement, section F, provides:

> The certificates as to value issued by German chambers of commerce shall be accepted by appraisers as competent evidence, and be considered by them in connection with such other evidence as may be adduced.

Digitized by Google

The effect of this is to abolish the legal requirement of both sections 19 and 11 of the laws of the administrative act.

It is thus clearly possible to make the value of a foreign motor car for import purposes any price which a foreign chamber of commerce will certify to in behalf of one of the local manufacturing institutions, and we believe this mode of undervaluation is being used in other industries to-day, thus defeating the entire intent of the American protective tariff to the detriment of American manufacturers.

In closing our appeal for an adequate protective tariff and adequate means for enforcing the intent of same we respectfully submit that it is our desire to ask only a sufficient and adequate rate of tariff and such a wise and proper classification as will promote the best interests of the motor-vehicle industry and those industries allied with it. We believe our statements and allegations are correct and founded on facts. We believe in the sound wisdom of the tariff protective policy of our country. We believe that tariff revision means exactly what it says, namely, that it is the intent of the people of the United States, of the Congress, and of President-elect Taft, to have the tariff so revised as to justify the continued upbuilding of, and investment of money in, American industries under American wage conditions as they exist to-day, whether it may require increases or decreases of rates, or the maintenance of existing rates.

Respectfully submitted.

HENRY B. JOY,
President Packard Motor Car Company and Chairman Tariff Committee of Association of Licensed Automobile Manufacturers.

BENJAMIN BRISCOE,
President Maxwell-Briscoe Motor Company and Chairman of Committee of Management of American Motor Car Manufacturers' Association.

(Jointly representing the automobile manufacturers mentioned in the above brief.)

EXHIBIT A.

So far the duty of 45 per cent ad valorem has been imposed on automobile imports only as "manufactures of metals not specially provided for," without consideration; but since the passage of the Dingley tariff act, July 24, 1897, we show that the business has grown to such an extent, both in this country and abroad, that it can easily be classed as an industry, and has become one of the most important items of commerce, involving the manufacture and importation of metal, rubber, leather, wood, hair, silk, wool, glass, and of many manufactured accessory articles as well.

In addition to the manufacturers of automobiles proper, there are upward of 4,000 concerns, individuals, corporations, etc., representing the allied industries. No accurate data has existed as to the number of people employed or the value of their business done, but it is

Digitized by Google

hoped to be able to submit facts covering this as a result of direct inquiries recently sent to each of these concerns, from whom replies are now being received and compiled, and this data will be later submitted to your honorable committee.

Exhibit B.

Foreign cars can be made cheaper than American, due to the difference in the cost of labor and material, as we prove by the figures shown here.

The rate of wages in the automobile industry in France, Italy, Belgium, and Austria is very low as compared to America, averaging as follows:

[Per hour in cents.]

	France.	Austria and Italy.	Belgium.	America.
Blacksmiths	11	8.5	10	28.1
Machinists	9.5	6.5	10	25
Assemblers	11	9	.....	24.6
Patternmakers	12	10	.....	33
Electrical	12	7	.....	25
Carpenters	9	.....	.6	33.4
Apprentices	.....	2	.....	(a)

a Half pay while learning.

Apprentices in France are compelled to serve without pay two and one-half to three years. Compare this with the rate of wages in the United States, where all except laborers and apprentices receive from 11 cents as the lowest rate to 41.6 cents as the highest rate per hour.

The following schedule shows the rate of wages paid in the leading factories of this country:

Departments.	Highest rate.	Lowest rate.	Average earnings.
MANUFACTURING.			
	Cents.	*Cents.*	*Cents.*
Automatic machines	27.5	17.5	23.2
Bench	33.3	15	22.5
Brazing	25	12.5	20.3
Case harden	30	12.5	24.5
Drill press	22.5	11	20.4
Filing	20	20	19.9
Grinding	25	11	23.7
Lathe, first	32.5	17.5	27.6
Lathe, second	30	17.5	26
Nickel plate	32.5	11	25.4
Milling	30	12.5	21.2
Semiautomatic machines	30	17.5	26.8
Sand blast	22.5	17.5	20.5
Tinsmith	39	22.5	30.8
Tool makers	41.6	19	33
Turret lathes	23	12.5	20.3
ASSEMBLING.			
Chassis assembly	33.3	12.5	23.9
Final assembly	33.3	12.5	24.4
Motor assembly	32.5	15	24.9
Fitting	27.5	15	25.4

Digitized by Google

Departments.	Highest rate.	Lowest rate.	Average earnings.
BODY DEPARTMENT.	*Cents.*	*Cents.*	*Cents.*
Blacksmith	35	20	28.1
Body filing	25	20	24.5
Body fitting	30.5	15	26.7
Body glue	25	19.5	24
Body making	41.3	22.2	31.5
Painters, rough	30	15	25.7
Painters, finish	35	15	29.8
Trimming	37.5	14	31.6
Wheel making	33.3	23.25	26
MISCELLANEOUS.			
Washers	28	22.5	25
Carpenters	35	22.25	33.4
Electrical	25	25	25
Inspection	33.3	10	20.3
Janitors	20	16.6	19
Millwright	30	20	23.4
Firemen and coke passers	26.1	17.9	20.6
Repairmen	30	28	29
Stock men	20	15	19.7
Motor testers	44.5	20	31.7
Tool storage men	20	15	19
Watchmen	18.5	18.5	18.5

General averages.

	Cents.
Manufacturing department	25
Assembling department	24.6
Body department	27.6
Miscellaneous department	23.7

Average paid foremen.

Manufacturing department	49.7
Assembling department	27.6
Body department	53.8

The schedule shows a difference of 150 per cent in the comparative cost of the skilled labor employed in this country and in Europe.

We have compiled for your committee the following information. In eight of the leading and important American factories, employing 11,400 men, and 34 factories in Europe, employing 10,347 men, the average pay person per year is as follows:

	America.	Europe.
Workmen	$755.05	$306.00
Commercial employees	876.07	529.00
Technical employees	1,202.41	602.50

This shows that the workmen in American factories are paid two and one-half times approximately what they get for the same work in the same kind of factories in Europe. Technical employees in the American factories receive approximately twice what they do in Europe, and commercial employees receive about one and three-fifths times what they do in Europe.

The following schedule shows the averaged percentage of production cost taken from 8 American factories that produce cars between

Digitized by Google

$500 and $4,500 in value, against 34 European factories also producing different priced machines:

	America.	Europe.
Percentage of production cost chargeable to—		
Wages	30.1	30.5
Salaries	5.2	6.0
Materials for plant	5.4	3.7
Materials	59.3	59.8

There is a great deal of difficulty in compiling correct comparative data. At different factories in the United States there is always a difference regarding the complete manufacture, as distinguished from the assembling of parts, evidenced in the various tables submitted by a lower labor cost of production in assembling plants, but a higher cost of material. It should be taken into consideration, however, that in this higher cost of finished material labor, and the profit on labor have already been included.

Exhibit C.

Valuations and undervaluations, or what actually represents "market value," is one of the most important questions to be considered, and the figures in this statement show remarkable fluctuations in a period of twelve months.

In 1907 a 24/40-fiat Italian car sold at a list price of 17,500 francs. The best discount obtainable at that time was 20 per cent, and duty was assessed on the net price of 14,000 francs as the market value of this machine.

In 1908 the same machine, with new improvements making it more up-to-date, has been reduced 6,000 francs in price and is brought into this country at a market value of 8,000 francs. About 150 of these machines have already been sold in America, and if the importer chooses he can sell this car for less than $4,000, with a body and tires, in this country, duty and freight paid, and make a larger margin of profit than our American manufacturers.

In 1907 the Isotta-Fraschini, 28/35 horsepower, an Italian car, was listed abroad at 18,000 francs, the best discount obtainable at that time being 20 per cent, and those machines entered this country at a market value of 14,400 francs, on which price duty was assessed.

In 1908 the same people made a car of increased horsepower, 40/45, which they reduced to the list price of 18,000 francs and increased the discount to 25 per cent, making the market value 13,500 francs, a difference of 900 francs for a larger and better car, and enabled them to compete with and undersell our American manufacturers who make the same class of goods.

Digitized by Google

In 1907 the Rochet-Schneider, a French car, was imported at the following prices:

	Francs.
16/24	12,500
30	18,500
40	24,000

List prices, less 20 per cent to agents.

In 1908 they have reduced the price of the 16/24 to 12,000 francs, their 30 to 18,000 francs, and on these two sizes have increased the discount to 30 per cent. The 40-horsepower car this year is being made with six cylinders at the same list price, with a discount of 40 per cent.

The Berliet, a French car, in 1907, 40 horsepower, was listed at 18,000 francs.

In 1908 they have reduced the price to 16,000 francs and the discount has been increased 5 per cent.

In 1907 the Panhard, a French car, 24 horsepower was listed at 20,000 francs, and the 35 horsepower at 26,000 francs, less a discount of 15 per cent.

In 1908 they have reduced the prices to 14,500 francs list for the 24 horsepower, a difference of 5,500 francs, and to 19,000 francs for the 35 horsepower, a difference of 7,000 francs, and increased the discount to 20 per cent.

In 1908 a Benz car, 40 horsepower, with body and tires, made in Mannheim, Germany, entered the port of New York at a market value of 12,000 marks. The list price of this car in France is 25,000 francs, and in Germany 20,000 marks for the chassis only with tires. This must represent a special export discount of 40 per cent, to say nothing of the value of the body, which was evidently not considered.

Exhibit D.

Imports have constantly increased and the price per vehicle decreased, and our figures in this statement will show an enormous drop in average value in a period of five years. This also shows the very free importation of motor vehicles under the existing tariff rate, and the value as a revenue producer.

The approximate number of new vehicles that entered this port (New York) during the calendar periods of 1904 and 1908, respectively, were approximately valued as follows:

Year.	Number.	Value.	Average value.
1904	605	$5,000,000	$8,265
1908 (nine months)	1,044	2,200,000	2,100

Digitized by Google

The official statistics of the Department of Commerce and Labor show as follows:

IMPORTS FOR FISCAL YEAR 1906.

	Automobiles.		Parts of, value.	Total.
	Number.	Value.		
Belgium	6	$14,020	$1,376	
France	820	2,806,898	352,025	
Germany	86	360,252	14,066	
Italy	91	270,794	15,583	
Netherlands	1	1,514		
Switzerland	17	45,890	3,833	
United Kingdom	77	314,193	13,586	
	1,098	3,813,591	400,469	
Canada	3	13,100		
British West Indies	2	500		
Cuba	3	17,314	45	
	1,106	3,844,505	400,514	$4,245,019

IMPORTS FOR FISCAL YEAR 1907.

Belgium	10	$28,587	$3,186	
France	841	2,940,387	596,820	
Germany	61	252,062	151,403	
Italy	144	420,154	41,568	
Netherlands	1	1,158		
Switzerland	7	19,414	878	
United Kingdom	103	347,758	7,390	
	1,167	4,009,520	801,254	$4,842,279
Canada	7	20,775		
British West Indies				
Cuba	2	10,730		
	1,176	4,041,025		

EXPORTS TO EUROPE.

	1905.	1906.	1907.
Automobiles	$1,428,411	$1,796,603	$2,555,655
Parts			186,411
Total			2,742,066

RÉSUMÉ.

Imports from Europe, 1906	$4,214,060
Exports to Europe, 1906	1,796,603
Imports from Europe, 1907	4,842,279
Exports to Europe, 1907	2,742,066

List of foreign cars entered at New York during the year 1907.

Darracq	225	Isotta-Fraschini	19
Renault	214	De Launay-Belleville	19
Mercedes	139	Bianchi	17
Fiat	92	Rollee	17
C. G. V	87	Westinghouse	13
Panhard	83	De Dion	13
Delahaye	62	Mors	12
Rochet-Schneider	53	Motobloc	11
Hotchkiss	33	Rolls Royce	10
De Dietrich	28	Brasier	9
Clement	25	Berliet	8
Itala	21	Martini	6
Pilain	20	La Buire	6

Digitized by Google

List of foreign cars entered at New York during eleven months of 1907—Cont'd.

Esperanto (Prunel)	6	Benz	1
Napier	5	Tri-Car	1
Cottin-Desgouttes	4	Zust	1
English Daimler	4	Gallia Electric	1
Argyll	4	Decauville	1
Maja	2	Humber	4
Weigel	2	Miscellaneous	16
Gobron-Brillie	2		
Krieger Electric	2	Total	1,300
Argus	2		

List of foreign cars entered at New York during eleven months of 1908.

Darracq	418	Brasier	3
Renault	244	Martini	3
Fiat	149	Saurer	3
Mercedes	89	Humber	3
Panhard	66	Sizaire-Naudin	2
Isotta-Fraschini	40	Spyker	2
Itala	24	Maja	2
Hotchkiss	22	Chenard-Walcker	2
De Dietrich	19	Aries	2
Lancia	18	Piccard-Pictet	2
C. G. V	16	Achenbach-Hexe	1
De Laugnay-Belleville	14	Passe Partout	1
De Dion	12	Protos	1
Rochet-Schneider	11	Werner	1
S. P. O	11	Motobloc	1
Zust	9	Cottin-Desgouttes	1
Bianchi	9	Gobron-Brillie	1
Delahaye	8	Argyll	1
Berliet	7	Roval	1
Westinghouse	6	Peugeot (Lion)	1
Benz	6	Rolls Royce	1
Clement	5	S. P. A	1
Mors	4	Safir	1
Napier	4	Miscellaneous	5
La Buire	3		
Bollee	3	Total	1,259

Exhibit E.

American manufacturers must pay more to manufacture like articles and the American workman receives a much higher average pay. This is shown here in a comparative statement made by two American manufacturers, one of a high-priced and the other of a moderate-priced automobile, who have given the actual cost of production of their respective vehicles in this country and the estimated cost of the same vehicle manufactured abroad.

We submit a comparison of tariff at 65 per cent as against tariff at 45 per cent:

Tariff 65 per cent.

Take an American car costing to manufacture		$2,000
Using 60 per cent as European cost		1,200
Add 65 per cent duty	$780	
Add 5 per cent freight and import charges	60	
		840
Giving 102 per cent American cost		2,040
Thus giving the American manufacturer a 2 per cent margin of protection of		40

Digitized by Google

Tariff 45 per cent.

Take an American car costing to manufacture		$1,000
Using 65 per cent as European cost		650
Add 45 per cent duty	$292.50	
Add 5 per cent freight and import charges	32.50	
		325
Giving 97½ per cent American cost		975
Thus giving the foreigner an advantage of 2½ per cent		25

And for your further consideration we submit a comparative illustration showing the difference in cost of production and profit between a foreign car and an American car, citing in this instance the actual make of car and the actual price:

Packard 30-horsepower chassis, without tires:		
Factory cost, without overhead, administration, advertising, rent, or manufacturer's profit		$2,320
Fiat 40-horsepower chassis, without tires:		
New York customs entry value, including manufacturer's profit		1,600
Add 45 per cent duty	$720	
Add 5 per cent freight and import charges	80	
		800
		2,400
Packard margin in which to find profit		80

Packard 30-horsepower chassis, without tires:	
Cost without overhead, administration, advertising, rent, or manufacturer's profit	$2,320
If manufactured in Italy at 60 per cent cost, cost would be	1,392
If manufactured in Italy at 65 per cent cost, cost would be	1,508
Comparing with Fiat 40-horsepower, customs entry value, including manufacturer's profit	1,600
Profit if manufactured at 60 per cent cost	208
Profit if manufactured at 65 per cent cost	92

MAXWELL BRISCOE MOTOR COMPANY,
Tarrytown, N. Y., December 10, 1908.

Mr. HENRY B. JOY AND TARIFF COMMITTEE OF AUTOMOBILE MANUFACTURERS' ASSOCIATIONS.

DEAR SIR AND GENTLEMEN: Conforming to the suggestion made at a meeting of your committee that this company (The Maxwell-Briscoe Motor Company) furnishes you with facts and information specifically setting forth its experience, etc., we accordingly give you below information as to our cost of manufacturing, which we are willing you should present to the Ways and Means Committee of the House of Representatives, in order that they may have before them definite facts relating to the manufacture of the moderate-priced automobiles.

We manufacture the Maxwell line of automobiles, comprising the following models:

Model A. A 10-horsepower, two-cylinder, two-passenger, retailing at $500.

Model LD. A 14-horsepower, two-cylinder, two-passenger, retailing at $825.

Digitized by Google

Model HD. A 20-horsepower, two-cylinder, five-passenger, retailing at $1,450.

Model DA. A 30-horsepower, four-cylinder, five-passenger, retailing at $1,750.

All above complete with tires.

In addition to the above we make various modifications of these same models, which are furnished with more or less equipment, but the above models comprise the real basis of the line.

The model A car we are making for the first time this season. We sell it at $450 to the trade—at present it costs us to manufacture $393. We expect, through the development of special machinery upon which we are working and by applying to it certain economies in manufacturing, to be able to reduce its cost about 5 per cent.

The model LD we have manufactured for four seasons, having made over 8,000 of them in all. This car retails at $825—our selling price to the trade is $660. Our profit for the past year on a production of 2,552 averaged $86 each on this model.

Having, as we say, made this car for four years, our facilities for producing it are complete and our experience thorough. Figures relating to its cost, therefore, may consistently be taken as a good representation of the moderate-priced car as a class.

The cost of the car we itemize in general as follows:

Details.	Amount.	Per cent.
Wages	$201.00	35.0
Salaries	42.00	7.3
Material used in operation of plant	20.00	3.5
Material in product	311.00	54.2
Total	574.00	.....

Being the cost of LD car as made in America.

The labor element in the above cost is based on the following schedule, which shows our actual wage cost to-day:

Factory No. 3, pay roll summary, week ending November 24, 1908.

Department.	Number of men.	Average hour rate.	Amount.
No. 1. Machine shop	153	$0.233	$1,597.22
No. 2. Body metal	67	.239	786.55
No. 3. Frame	25	.222	274.25
No. 4. Paint and enamel	18	.297	237.10
No. 5. Trimming	15	.289	213.67
No. 6. Assembly, motors	74	.247	911.56
No. 7. Blacksmith	26	.268	242.36
No. 9. Erecting	12	.243	212.27
No. 10. Polish	9	.290	126.57
No. 11. Brass	12	.284	178.36
No. 12. Testing	6	.239	61.16
No. 13. Body wood	13	.305	192.93
No. 14. Axle	17	.279	206.88
No. 15. Repair	18	.247	132.46
No. 16. Finishing	8	.251	78.34
No. 17. Body molding	10	.212	94.78
Factory, salary	16	.330	269.20
General labor	118	.284	2,779.34
Tool department	46	.353	916.71
Pattern department	12	.374	202.32
Total	675	.271	9,714.03

Digitized by Google

From investigation we learn that the rate of wages in Italy is as follows:

Departments:	Average hour rate.
Blacksmith	$0.085
Machinist	.065
Assembling	.09
Pattern	.10
Electrical	.07
Carpenters	.09
General help	.03

In consequence of this difference in conditions as between Europe and America we could produce this car, if we made it in Italy and hired Italian workmen, for the following cost:

Labor	$81
Salaries	42
Materials for operation of plant	20
Materials in product	218
Total	361

Cost of LD car made in Europe.

This, you will note, calculates the cost of material at 70 per cent of the cost as bought in America. We use no foreign material whatsoever and have never, therefore, had occasion to investigate the cost of material if bought in Europe. We have, however, been informed that the average cost of material such as we use in the construction of our automobiles is from 25 to 35 per cent lower in Europe than in the United States. The Ways and Means Committee probably have before them data that gives them complete information on this matter.

The labor figures that we present to you are based solely upon what we know to be the difference between the labor cost in Italy and what labor is now costing us in the United States.

We present another table which shows what we could produce our model LD car for, provided we did all the metal work—that is, the blacksmith work, the machine work, and the assembly work at Italian labor cost, and shipped the motors and axles to this country and here assembled them into a complete car.

Materials bought in Europe	$218
Labor on parts made in Italy	76
Assembling parts in America	12
Materials for operation of plant	20
Salaries	42
Total	368

Cost of LD car if made in Europe and assembled in the United States.

If the tariff is levied as a "protective" tariff, then we assume we have the right to expect that such a rate of duty will be established as will cover the difference between what we can produce our goods for in a foreign country and what it actually costs us to produce them in our own country.

Therefore, if this is still the theory actuating the Ways and Means Committee in the revision of the tariff, then it is seen that to afford protection in this industry it is necessary that the rate should be at least 51 per cent.

We want to call your attention to the fact also that the labor cost of moderate-priced automobiles is greater proportionately than in the

Digitized by Google

higher priced cars, for the material in moderate-priced cars costs less in proportion to the labor than it does in the higher priced cars.

For instance, our labor cost is 35 per cent, while our material cost—that is, the material entering into the automobile itself—is 54.2 per cent. Take it in the case of a higher priced automobile—for instance, the Packard—the labor cost is 31.8 per cent, while the material cost is 60.5 per cent.

The workmen, therefore, engaged in the manufacture of low-priced cars need a protective tariff to an even greater degree than the manufacturer of the higher priced cars.

It might not be amiss for me to say here that I have, through the manager of the American Motor Car Manufacturers' Association, communicated with all of its members, and that both as a member of your committee and representing that association, and as chairman of the association, I am authorized to request on their part a retention of at least the present duty.

The figures that I give are indicative of the experience of the Maxwell-Briscoe Motor Company only, and are not presented for or on the part of any other concern, but are a compilation of its records solely.

My opinion is, however, that they represent the average condition confronting the manufacturers of moderate-priced cars, this being fair to assume, as the Maxwell-Briscoe Motor Company is one of the large producers, which it could not be were it operating under an unfavorable cost.

We have understood that the French, German, and Italian manufacturers are preparing to produce large quantities of low-priced automobiles with which to invade the American market. If such is the case, particularly should the present rate be reduced, a complete readjustment of wages in the automobile industry would be necessary, the only alternative being for the American manufacturer to move the whole, or at least a part, of his manufacturing operations to such countries as will put him in touch with competitive labor conditions.

We have endeavored in this communication to give nothing but actual facts, as to the proof of which we are willing at any time to furnish documentary evidence in the shape of our pay rolls and workmen's wage vouchers.

Yours, very truly,

MAXWELL-BRISCOE MOTOR CO.,
BENJAMIN BRISCOE,
President and General Manager.

EXHIBIT F.

We take this opportunity to refute the statements made by Mr. C. H. Sherrill, representative of the Importers' Automobile Salon, before your honorable committee on Friday, November 27, 1908.

1. Mr. Sherrill states that 90 per cent of the foreign automobiles arrive in this country in an unfinished condition, and it is necessary to add many machine parts in this country to complete the vehicle.

To refute this statement we refer you to the attached photograph, marked "No. 1," showing the so-called naked Fiat chassis as exhib-

Digitized by Google

ited by the manufacturer at the Paris automobile show in December, 1907. The hood has been removed, but the car is delivered complete, with the exception of the running board, footboard, and mud guards, and this is the customary trade understanding amongst the majority of the continental makers as to the equipment of a chassis.

2. Mr. Sherrill states that in four years, ending June 30, 1908, of the almost $17,000,000 worth of foreign-made chassis entered at the port of New York alone 90 per cent went to American carriage builders to have American bodies built.

We reply to this by stating that in the last twelve months (from November, 1907, to November, 1908) out of 1,533 machines imported at New York alone 900 had foreign-made bodies.

3. Mr. Sherrill states that the reports of Capt. Godfrey L. Cardin are valuable because they show that the Fiat Company has imported $200,000 worth of American machinery and the Hotchkiss Company $175,000 worth of machinery, and we volunteer to supplement this statement by adding another $1,750,000 worth of up-to-date American automobile machinery in use by the continental manufacturers at present.

We agree with Mr. Sherrill that Captain Cardin's figures are valuable, because they bear out our contention that, with skilled labor costing us two and one-half times as much here as it does abroad, the very fact that they employ the same up-to-date machinery as we do here must prove to your committee the necessity for protecting the wages we pay.

4. Mr. Sherrill forgot to state that French motor-car manufacturers, which until two years ago led the world in the production of the motor vehicle, have become aware of the fact that American tool machinery is being imported to the Continent, and have within a year organized a machine-tool manufactory for self-protection. For full particulars regarding this we refer your committee to the Special Consular Reports, Volume XL, page 17 (Department of Commerce and Labor). The object of this factory, ably stated by Consul-General Mason, of Paris, is to have French manufacturers economize at every point. He also states:

> This will create the most dangerous competition that the machine-tool makers of America have ever been called to meet in France. The import duty on such machinery ranges from 17 to 70 francs per 100 kilograms ($3.28 to $13.51 per 220 pounds), according to weight of machine, but the French tariff is a flexible enactment and can be modified to meet any existing or future relation between home supply and actual demand.

5. Mr. Sherrill stated that the difference between the scale of wages abroad and in the United States is from 30 per cent to 33 per cent for the same grade of work—that much lower there than here.

Our answer to this is found in Exhibits C and D, and the figures stated there have been compiled by Mr. James M. Carples, our own expert, who has visited the different factories abroad, and your committee will, we think, find them conservative when compared with the reports of the United States special and confidential agents, who may have from time to time submitted information on this subject.

We refer your committee to a clipping from the New York Times of October 18, 1908, of an article written by Mr. E. R. Hollander, the vice-president of the Fiat Automobile Company of America, who

Digitized by Google

employed Mr. Sherrill to appear before your committee. We quote the ninth paragraph of this article:

Aside from the question of the quality of this workmanship is the very great question of the wages paid abroad, where living expenses are correspondingly lower. The best grade of foreign skilled labor costs from one-half to one-third what it does in America, and yet these artisans can live as well.

6. Mr. Sherrill states that the statement generally circulated throughout this country by American automobile companies to the effect that a great deal of the work in foreign factories is performed by apprentices who receive no pay is not true, and he takes occasion to refute the statement.

We refer your committee in answer to this to the statistics compiled by the Department of Commerce and Labor, to the special report of Consul J. E. Dunning, of Milan, Italy, on pages 21 and 22 of Volume XL, called "Motor machines." We also refer you again to the article written by Mr. E. R. Hollander in the New York Times of October 18, 1908. In the eighth paragraph of this article, which we quote below, Mr. Hollander considers the apprentice question even of greater importance than the question of material, and dwells on the fact that as many as seven years' service as apprentice is necessary before the workman abroad can really be considered skilled and enjoy full pay, and takes occasion to compare this with the American trades-union system, much to the detriment of the latter. We quote:

Important as is the question of materials, still the question of workmanship is possibly of even greater importance. It will not be denied by any American who has traveled in Europe or studied industrial conditions obtaining there that the "apprenticeship" still exists in all European countries. While this system may vary somewhat in the different localities, it may be generally accepted that the seven-year apprenticeship is a safe average for most countries. This means that a young man desirous of learning a trade or industry is expected to devote the first seven years of his service without pay or remuneration, and in some countries, notably England, fathers frequently pay a well-established concern a nominal sum per year for the training of their sons in their employment. Such a condition as this means that when a young man is finally put on the pay roll he has had seven years of the best experience, and is well worth the wages he will then receive, as the quality of the workmanship he can give to his employer is of the very highest order it is possible to obtain. In America a man may have been a plumber, a gas fitter, a carpenter, or even a cobbler, and if he desires to enter an automobile factory he rapidly becomes a member of the trade union, and within six months he expects to draw the same wages as his bench companion, who may have been serving six years in the same capacity, and should there be any hesitancy on the part of his employer to meet this demand it is a question that the union will very promptly undertake to regulate, and this not only in the automobile industry, but in every other manufacturing pursuit in this country.

7. Mr. Sherrill states that a reduction in the tariff on automobiles would result in a corresponding reduction in the selling price of all automobiles, whether of home or foreign manufacture.

We agree with Mr. Sherrill that if the tariff is reduced we will be compelled to reduce our prices, and in order to do this with profit it will necessitate a large reduction in the rate of wages paid to skilled labor and in the price of materials, and this is impossible, as there would have to be a corresponding reduction in the rate of wages in all the industries allied and interested.

8. Mr. Sherrill's statement that the Association of Licensed Automobile Manufacturers and the American Motor Car Manufacturers' Association were trusts and dictated prices are absolutely without foundation in fact.

Digitized by Google

9. Mr. Sherrill states that there are no low-grade machines imported.

We answer this by stating that the average horsepower of machines imported during 1906 was 35, and the average value about $3,800 per car, while in 1908 the figures of the Treasury Department, we think, will show a decrease in horsepower to less than 18, and the average value has been lowered to less than $1,600. And that the end is not yet in sight is evidenced by the reports just published regarding the Olympia Show in London and the French Automobile Exhibition in Paris, in which all correspondents concur in stating that the feature of the expositions is the large number of low-priced small-power machines.

Of over 750 automobiles imported during the last twelve months, 80 per cent were landed in this country completely equipped with body, tires, lamps, horns, tools, and other equipment, duty and charges paid, at less than $1,800; the other 20 per cent at less than $1,600; and about 150 small machines (chassis) at $1,200 or less. We again quote from Mr. E. R. Hollander's report in the New York Times of October 18, 1908, as follows:

In the field of small and light machines, however, there have been remarkable developments in Europe during the last year. The European manufacturers are indebted to the Automobile Club of France in large measure for the tremendous publicity which has been concentrated upon these small vehicles through the Voiturette race, which was run over the Dieppe circuit prior to the Grand Prix. The wonderful showing of these little cars in that race opened the eyes of thousands of people to the possibilities there are in the development of this type of vehicle. Single-cylinder machines of 4-inch bore and multi-cylinder machines of a corresponding cylinder volume attained an average speed of over 60 miles an hour for the distance of 250 miles, a result unheard of and incredible until this year. These light cars are to-day being built of the finest materials, including pressed steel frames and all the perfected mechanism of the larger cars, at prices which are certainly surprising. There are at least a dozen makers of unquestioned standing and reliability building these machines, equipped with handsome runabout bodies, which sell for prices varying from $850 to $1,000. These small machines are far speedier and more powerful than anything of the type built in this country within several hundred dollars of the price at which they sell. I shall be greatly surprised if several of the better known of these Voiturettes do not reach America in the near future and find a very large sale in this country when their merits are fully appreciated. These machines have certainly been the sensation of the year, and it is only natural that little of them has been said in American publications, as a general acceptance of the facts would be most detrimental to certain large American interests.

10. Mr. Sherrill stated to your committee that the Selden patent covered every steam or motor driven vehicle. In reply to this we attach hereto (marked "No. 5") and refer you to volume 75, page 1017, of the Official Gazette, U. S. Patent Office, column two, lines 23 to 27, which states:

Selden, in 1895, received a patent, November 5, No. 549160, which may be considered the pioneer invention in the application of the compression gas engine to road or horseless carriage use.

11. Mr. Sherrill states that a finished machine is never sold to wealthy patrons directly, such wealthy patrons preferring to have their automobiles built in New York by either Demarest or Brewster, and but for this fact both of these well-known and reputable houses would have failed.

To characterize this statement as absurd is rather mild, but in refuting it we will content ourselves in referring your committee to

Digitized by Google

the statistics compiled by the appraiser and collector of the port of New York during the last five years. These will show that fully 30 per cent of automobiles imported were imported by individuals who had purchased abroad, and that the bodies were built by such well-known body builders of Europe as Rothschild et Cie., Kellner et Cie., Audineau, Vedrine, and others. Of the other 70 per cent of motor vehicles imported by dealers and agents, an unbiased investigation will show that the work has been pretty well divided between J. M. Quinby & Co., Burr & Co., R. M. Stivers, Barnes Carriage Company, Kimball & Co., Flandrau & Co., Rothschild & Co., Studebaker Brothers, Willoughby, Schildtwachter, Healey, New Haven Carriage Company, Blue Ribbon Carriage Company of Bridgeport, and many other American carriage makers.

The list enumerated above consists mostly of New York carriage builders. If we consider the number of carriage makers in the United States, some of whom turn out as many as 75,000 vehicles a year, who have not benefited by the imports at the port of New York and the business they may have given to the local industry, it will show that this is but a drop in the bucket compared to the 50,000 automobile bodies built in one year for the manufacturers in whose behalf this argument is made.

12. Mr. Sherrill stated in answer to Mr. Hill that there were practically no importations of low-grade machines for commercial uses.

We will answer this by stating that in the last fifteen months there have been over 1,000 taxicabs and 75 omnibuses and trucks imported into this country.

13. Mr. Sherrill was asked by Mr. Gaines whether there was not a difference of 15 and 20 per cent allowed the dealer in the country where the cars were made and America, and Mr. Sherrill evaded the question and contented himself by stating that in the case of the Hotchkiss Company, which he represented, this was not true.

We submit herewith (marked "No. 6") an answer to Mr. Gaines in the shape of an original letter written by M. Marchesi, a director of the Fiat Automobile Company of Turin, in which he quotes 11,000 francs net as the chassis price, with tires, of the 40-horsepower Fiat car in quantities of 15 or more for shipment to South America. This is the same car which Mr. Sherrill testified his clients paid 8,000 francs for and which is sold to Lamberjack & Co., of Paris, at 9,000 francs.

14. Mr. Sherrill states that the price of a body on the $1,600 chassis in this country is $1,200.

We attach hereto (marked "No. 6") a circular from the Fiat Automobile Company of New York, his clients, in which they offer a touring car body for $1,000, which is evidently correct, as when added to the quoted price for the chassis it figures just $6,000, which is the price of the car that Mr. Sherrill speaks about. The duty on a $1,600 chassis and freight and other charges could not possibly amount to more than $800; he states $1,000. He also states that tires are purchased for $200 in America. As a matter of fact all Fiat cars are sold with Michelin tires, and the New York importer of this car has them sent separate so as to save the difference of 15 per cent on the duty, and makes an additional profit on the transaction of at least $50 a set every time he replaces a foreign tire with an American one.

Digitized by Google

This makes Mr. Sherrill's figures wrong by just $450, which should be added to the difference between the cost of the vehicle and the selling price to show the profit.

15. Mr. Sherrill stated to your committee that the automobile importer makes a small but reasonable profit and the rest goes to the body builders, which are very expensive in this country, but he quotes $1,000 as the cost of a body and then goes on to state that his clients pay agents 15 per cent as a selling commission on the complete $6,000 car. It is fair to presume then that if he sold the body without profit the net cost to him was $850. This will add another $150 to the $450 above mentioned, making $600 difference to be added between the cost and selling price to get the proper profit.

As a matter of fact, however, and to be perfectly fair, the discount allowed to agents by the importers of the city of New York would be 20 per cent off the chassis list price, and nothing off the body. This would bring the selling price of the vehicle down to $5,000, and the cost completely equipped $3,500, leaving a margin of $1,500 profit to the importer, with which to meet and undersell American competitors.

16. Mr. Sherrill stated that Mr. George H. Day is the head of the Association of Licensed Automobile Manufacturers, and had been for a long time.

As a matter of fact, Mr. Day had resigned from the association some eighteen months ago, and has been dead for over a year.

17. The statement by Mr. Sherrill that the profits of the Packard Motor Car Company are 100 per cent is absolutely preposterous and without a grain of foundation in fact, and is emphatically denied by Mr. H. B. Joy, the president of the Packard Motor Car Company.

EXHIBIT G.

[Copy of telegram to Mr. Joy.]

ST. LOUIS, MO., *December 1, 1908.*

HENRY B. JOY (care The Packard):

Answering your telegram repeated here I think 20 per cent import duty quite sufficient and am so advising Chairman Payne. You know that I am not in sympathy with the methods and policies of the licensed association, and that I am unwilling to be a party to its attempt, under a most craftily conceived and drawn contract, to monopolize the industry through control of a worthless patent. You know that I desire a cancellation of my membership in the association and am seeking such cancellation in the court. You know that I propose to bring suit against the individual members of the association for breach of contract and for attempt to ruin my business. It is also time that you should know that I intend to lay the whole matter before the Department of Justice. I consider the maintenance of the present duty a most outrageous extortion upon the buyers of large cars, controlled at present by a very few manufacturers. Our plans for 1910 contemplate a large production of high-powered, high-grade cars, which we propose to market at 70 per cent of the present selling prices, and I consider a 20 per cent duty more than ample protection.

W. C. DURANT.

Digitized by Google

EXHIBIT H.

[Copy of telegram to H. E. Miles.]

Knowing that an adequate duty to protect wages of American workmen as against the existing low rate of wages in European automobile factories (which is admitted to be less than 50 per cent of the American rate) is in practically universal demand by the American automobile manufacturers, I insist that your statement before the Ways and Means Committee, implying you had information that a considerable portion of the industry was favorable to a tariff reduction on automobiles, is unfair, because it is not in accordance with the facts, and you should know it.

I challenge you to produce any and all telegrams you referred to, substantiating your representations. I can not believe that you would deliberately distort the facts, or that you intend purposely to convey a wrong impression, and I therefore await with interest a statement from you that will be supported by facts.

BENJAMIN BRISCOE,
President Maxwell-Briscoe Co.

[Copy of reply to above telegram, by H. E. Miles.]

In reply to your telegram of yesterday, main desire was given Ways and Means Committee when I testified. Have requested an auto manufacturer who has written me that your proposition is silly to answer you direct. Also two others say that one-half of present duty is enough. I stand always for ample protection for American labor and industry as defined by Mr. Taft and against excessive only.

H. E. MILES.

EXHIBIT I.

For the calendar years enumerated below the selling value in America of vehicles imported during that period amounted to $52,667,046. The value of American cars sold in America for a corresponding period is approximately $250,000,000.

We arrive at this in the following way:

	Number.	Value.
1902	265	$3,581,990
1903	267	2,927,508
1904	605	5,858,414
1905	1,054	3,972,289
1906	1,433	5,090,035
1907	1,017	2,930,859
	4,641	24,361,095

To which we add 50 per cent for duty and import charges, which equals $12,180,542; to which we add again 25 per cent for dealers' profit; to which we add $5,000,000 for parts covering that period; and to which we add $2,000,000 for bodies, making this calculation on a basis of 40 per cent of the 1905 cars imported (1,054), and 60

Digitized by Google

per cent of the cars imported in 1906 and 1907 (2,450), as being chassis for which bodies were built in America, and valuing those at $1,000 apiece brings our total up to $52,677,046, as per above calculation.

EXHIBIT J.

Recapitulation and a summary of certain figures regarding the automobile industry, compiled by States, by the Department of Commerce and Labor, and published in Bulletin No. 66, Census of Manufactures.

CONNECTICUT.

During the year 1905 7 automobile factories, capitalized at $3,712,922, made 832 vehicles, valued at (Unit value, $3,228.)		[a] $2,644,334
Cost to produce:		
Labor, 1,065 wage-earners	$783,993	
Administration, 62 salaried employees	86,372	
Materials	1,163,072	
Miscellaneous, rent, taxes, advertising, and sundries	466,851	
Interest on capital, 5 per cent	185,646	
		2,685,934
Cost of production exceeds value by		41,600

MICHIGAN.

During the year 1905 22 automobile factories, capitalized at $3,765,240, made 9,125 vehicles, valued at (Unit value, $618.50.)		[a] $6,876,708
Cost to produce:		
Labor, 2,123 wage-earners	$970,895	
Administration, 151 salaried employees	188,452	
Materials	2,872,655	
Miscellaneous, rent, taxes, advertising, and sundries	1,423,167	
Interest on capital, 5 per cent	188,262	
		5,643,431
Value exceeds cost of production by		1,233,277

SUMMARIZED.

The figures for the entire United States show that 121 establishments, capitalized at $20,555,247, produced 21,692 vehicles, valued at		$23,751,234
Cost to produce:		
Labor, 10,239 wage-earners	$6,178,950	
Administration, 1,794 salaried employees	1,866,293	
Materials	11,658,138	
Miscellaneous	3,946,369	
Interest on capital, at 5 per cent	1,027,762	
		24,677,512
Cost of production exceeds value by		926,278

Unit value per vehicle is approximately $1,100.
Average pay per year for labor is $707.

---

[a] These figures evidently do not include cost of selling or discount to agents, which is 20 per cent, nor does the capital represent money borrowed or interest or depreciation on plant.

Digitized by Google

These figures show that the cost of production exceeded selling value that year by $926,278, without considering cost of selling, interest, and depreciation on plant. They also show the accuracy of our own present statistical data, as the wages per person per year and the proportion of labor to material, as shown in appendix.

STATE OF NEW YORK, *City and County of New York, ss:*

James M. Carples, being duly sworn, deposes and says: I reside at 971 Trinity avenue, New York City, and am employed by the Association of Licensed Automobile Manufacturers as special agent and statistician, and have carefully prepared and read the statements contained in the brief and exhibits submitted herewith by the American automobile industry to the Committee on Ways and Means, and as to the facts herein specifically stated know them to be true and accurate. And as to the statements therein referred to as obtained from reliable sources the same are full, true, and accurate to the best of my knowledge and belief.

JAMES M. CARPLES.

Sworn to before me this 30th day of December, 1908.

[SEAL.] DANIEL J. GUINAN,
Notary Public.

Certificate filed in New York County.

BELLS.

[Paragraph 193.]

MANUFACTURERS OF SMALL BELLS, OF CHATHAM, CONN., ASK THE RETENTION OF PRESENT DUTIES.

EAST HAMPTON, CONN., *December 2, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.

DEAR SIR: We, the undersigned manufacturers, located at East Hampton, town of Chatham, Middlesex County, State of Connecticut, would respectfully ask the privilege of stating to your committee a few facts in relation to the industry in which we are engaged, and to beg your kindly consideration of the same in the preparation of the new tariff bill which will be presented to Congress at its March session.

The class of manufacture in which we are engaged is the producing of small bells of various kinds, such as gong doorbells, signal gong bells, table call and tea bells, bicycle and automobile bells, and a large variety of sleigh bells. Of the latter, probably nine-tenths of all that are used in the United States are made by the manufacturers in this small village. Bell toys are also manufactured to a considerable extent.

This business has been established here about one hundred years. It is not a large business, and the goods have been sold at such a moderate percentage of profit that none of the manufacturers have be-

Digitized by Google

come wealthy men. It has afforded a comfortable living upon an economical basis of expenditures. The officers and managers of the different plants have received only moderate salaries, the average not amounting to $1,200 each per year.

One of the firms does not pay any of its officers or managers as much as $1,000 per year.

There is quite an amount of foreign competition that has to be met in the line of table call and tea bells and bell toys, especially German competition.

The present rate of duty on these classes of manufacture is 45 per cent, and at the very low cost of foreign labor that is paid in the production of the imported goods as compared with what we have to pay here for labor, we feel that while we do not ask any increase in the present rate of duties, there certainly ought not to be any reduction of same for the reason that although the raw materials which enter into the production of our goods are practically free of duty. the profits are so small that if the rate of duties should be reduced and the increased competition which would naturally result therefrom it would force us to sell our products at still lower prices.

This could only be done by decreasing the prices which we are now paying our employees for labor, which would bring hardship and great dissatisfaction to those who earn their living by daily labor. In consideration of the foregoing facts, we beg that your honorable committee will enter in the new tariff bill the same rates of duty that are now assessed upon the imported goods which come into competition with the line of goods that we manufacture.

Trusting you will give the facts as set forth in this letter your most careful and kind consideration, and thanking you in advance for same, we are,

Very respectfully, yours,

BEVIN BROTHERS MANUFACTURING CO.,
A. AVERY BEVIN, *President.*
THE STARR BROTHERS BELL CO.,
J. M. STARR, *Treasurer.*
THE GONG BELL MANUFACTURING CO.,
A. H. COREBLIN, *Manager.*
N. N. HILL BRASS CO.,
N. N. HILL, *Manager.*

BICYCLES.

[Paragraph 193.]

THE GREAT WESTERN MANUFACTURING CO., LAPORTE, IND., ASKS RETENTION OF PRESENT DUTY ON BICYCLES.

LAPORTE, IND., *December 12, 1908.*

Hon. JOHN DALZELL, M. C.,
Ways and Means Committee, Washington, D. C.

MY DEAR SIR: Referring to the duty on bicycles, as a manufacturer I wish to urge upon you not to remove the duty on finished bicycles. I ask that on behalf of ourselves and the industry of the bicycle manufacturers in the United States.

Digitized by Google

I speak with knowledge of the prices of English, German, and Belgian bicycles. The price that they are now naming and would name if the duty were removed on finished bicycles would kill the bicycle business and close the manufacturers' doors of bicycles in the United States.

We are manufacturers of Fauber patent one-piece crank hangers that go into bicycles. We sell them throughout the world, but are shut out from selling them in England, Germany, and Belgium on account of the low price there on bicycles. They are selling bicycles to-day for less than our cost of production.

It would be impossible to pay the wages and prices of materials and cost of conducting the business in the United States and compete with the low prices of the German, English, and Belgian bicycles to-day.

Therefore I pray your committee do not remove the duty on bicycles.

The present selling price of bicycles in the United States is very low; there is no combination, no restriction of the trade or pooling arrangement, but entirely open competition, and that has been strong enough to make the price of bicycles so low that it is only a small profit to the manufacturer at best. The price is so low on bicycles that anyone who wishes one has no objection to the price he can buy a machine for.

Removal of or even reducing the present duty on bicycles can only do more harm than possible good.

Thanking you for your consideration, I am,

Yours, truly, E. J. LONN,
President.

AMERICAN MANUFACTURERS OF BICYCLES PETITION FOR RETENTION OF PRESENT DUTIES ON BICYCLES.

WASHINGTON, D. C., *December 15, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
House of Representatives.

SIR: We represent the following bicycle manufacturers of the United States: Consolidated Manufacturing Company, Toledo, Ohio; Emblem Manufacturing Company, Angola, N. Y.; Great Western Manufacturing Company, Laporte, Ind.; Pierce Cycle Company, Buffalo, N. Y.; Pope Manufacturing Company, Hartford, Conn.; also the signers to this brief and by authority given in telegrams and letters herewith attached from Arnold Schwinn & Co., Chicago, Ill.; Snyder Manufacturing Company, Little Falls, N. Y.; National Cycle Company, Bay City, Mich.; Iver Johnson Arms and Cycle Company, Fitchburg, Mass.; Miami Cycle Manufacturing Company, Middletown, Ohio; Toledo Metal Wheel Company, Toledo, Ohio; Gendron Wheel Company, Toledo, Ohio; Excelsior Motor and Manufacturing Company, Chicago, Ill.

These corporations produce more than 90 per cent of the bicycles manufactured in the United States.

Digitized by Google

We beg leave to present to your notice the decline in the industry of the manufacturing of foot-propelled bicycles and tricycles and parts thereof in the United States, as shown in Bulletin No. 66, Census of Manufacturers, 1905.

Automobiles and bicycles and tricycles.

	1900.	1905.
Factories	312	101
Capital	$29,783,659	$5,883,458
Total wages	$8,189,817	$1,971,408
Value of bicycles	$23,680,437	$4,109,429
Bicycles	1,182,850	252,923
Average value	$20.03	$16.25

While there are no statistics available since the census of 1905, it is a fact that the number of bicycles manufactured has not increased, nor has there been any advance in the selling prices since that time.

We beg leave to call your attention to the great decrease in the value of bicycles and bicycle parts exported from the United States since 1897 and to the great increase in exports from England and Germany in the same period.

Bicycle exports—United States, England, and Germany.

	United States.	England.	Germany.
1897	$6,902,736	$6,937,032	(a)
1898	7,092,197	4,660,554	(a)
1899	4,820,284	3,227,025	(a)
1900	3,061,061	2,573,361	(a)
1901	2,599,237	2,800,448	(a)
1902	2,581,255	3,482,479	$3,600,250
1903	2,099,092	(a)	4,639,250
1904	1,621,820	(a)	5,028,000
1905	1,320,406	4,727,000	6,948,250
1906	1,404,546	(a)	(a)
1907	1,082,727	[b] 4,843,325	[c] 10,172,000
1908	[d] 604,583	[b] 5,260,925	[c] 7,846,250

[a] No statistics available.
[b] Nine months.
[c] For six months only.
[d] For ten months only.

Practically during these years no bicycles of foreign manufacture have been imported into the United States.

It will be seen, therefore, that the export trade in bicycles and bicycle parts has diminished to an extent that nearly takes it from the list of exports, while during the same periods the export trade of European countries, notably England and Germany, has increased.

Until about 1902 the United States could fairly compete in the sale of bicycles in all the markets of the world with England and Germany, the advantage of improved and labor-saving machinery largely offsetting the extremely low wages paid in European countries as compared with those paid in the United States. But English and German shops are now equipped with the most modern machinery—much of it of American makes—and the competition between Europe and the United States to-day as affecting costs of production is in wages, and this competition in wages applies not only to the labor expended directly on the bicycle but to the costs of materials used and to the expenses in the marketing of the bicycles.

Digitized by Google

The American manufacturers have tried to meet these conditions and maintain a fair competition, but they have apparently gone as far as they can. Even moderate reduction in the tariff would without question invite shipments from England and Germany to this country, with the result of a further if not total decline in our industry or the other alternative of forcing European wages upon American workmen.

Now, shall we open the doors to the foreign manufacturers or reduce the wages of American workmen to meet this competition?

There are engaged in the manufacture of bicycles and bicycle parts 5,000 men, and in the retail sale of same about 8,400 more, all of whom are dependent on the bicycle industry for the livelihood of themselves and their families.

The estimated wages paid are 2,500 bicycle factory employees, 2,500 bicycle-parts factory employees, 8,400 bicycle dealers and repair men, total 13,400, at a conservative average of $2 per diem for two hundred and fifty days per annum, makes a distribution in pay rolls amounting to $6,700,000.

Bicycle manufacturers have no desire for special treatment or unfair rate of tariff, but with the prices on most material and lower wages paid in Europe, as compared with said cost of labor and material in the United States, the present rate of 45 per cent is only fair protection.

We further petition that the present rate of tariff be maintained and that bicycles and tricycles and parts of same be classified as such.

Great Western Manufacturing Company, Julius Loun, president; The Consolidated Manufacturing Company, W. F. McGuire, manager; Pope Manufacturing Company, George Pope; Pierce Cycle Company.

EXHIBIT A.

CHICAGO, ILL., *December 12, 1908.*

POPE MANUFACTURING COMPANY,
Hartford, Conn.

GENTLEMEN: We just prepared a letter to the Ways and Means Committee at the House of Representatives when your telegram reached us. We have decided to have you represent us at the meeting, and we will telegraph your Col. George Pope, care New Willard Hotel, Washington, D. C., as follows:

"We, Arnold Schwinn & Co., manufacturers of bicycles at Chicago, Ill., herewith authorize you to represent us at the meeting of the Committee on Ways and Means at the National House of Representatives at Washington, D. C., on the subject of reduction of duty on bicycles. Please use all your effort to have the interest of the bicycle manufacturer protected. No change in bicycle tariff. We need protection. European manufacturers produce bicycles for less than half; that is my experience while manufacturing bicycles in Germany. From 700 bicycle manufacturers in United States in 1896 12 only are left. We can not compete in foreign countries."

Yours, very truly,

ARNOLD SCHWINN & CO.,
LAGNSCZ SCHWINN, *President.*

Digitized by Google

EXHIBIT B.

LITTLE FALLS, N. Y., *December 14, 1908.*

GEORGE POPE,
New Willard Hotel, Washington, D. C.

Regret our inability to be with you, and authorize you to appear for us and urge that the duties on bicycles and all other manufactured articles be left as they are or made higher. Competition between American manufacturers keeps the price so low that there is not to-day a living profit. There is practically no foreign market on these goods, and we must have the American market or go out of business.

H. P. SNYDER MANUFACTURING CO.,
H. P. SNYDER, *Treasurer.*

EXHIBIT C.

BAY CITY, MICH., *December 12, 1908.*

Col. GEORGE POPE,
New Willard Hotel, Washington, D. C.

DEAR SIR: We regret very much that it will be impossible for us to be with you Tuesday next, but are glad to know that you are to appear before the Ways and Means Committee and will be glad to have you represent us.

The history of the bicycle business is an open book, and shows conclusively that even under the present tariff American manufacturers have not prospered. There are but few of us left—19 only, we believe—and few of those would still be in the business if they could find other lines which would keep their factories busy. Nearly every one of the 19 is now devoting part of his manufacturing capacity to other lines on account of there not being a market for all of the bicycles which he can produce. The world's markets are practically closed to us by either cheaper production abroad on account of cheaper labor or preferential tariffs, as in the case of the English colonies. Reduction in the tariff would be simply an aid to the foreign manufacturer in reaching part of our home markets, would not reduce price to the consumers, as bicycles in America are as cheap as anywhere in the world, and would ultimately force the American manufacturer out of business by compelling him to reduce production below the point where he can live. To-day the productive capacity of American bicycle factories is probably double the actual output. The desire of each manufacturer to increase his output has resulted in the closest kind of competition in the restricted market. If the tariff were reduced, it would without doubt let in additional foreign competition, which would ultimately, necessarily, reduce the number of workers and also their wages in this country.

We have no doubt that your thorough acquaintance with the bicycle trade during the last thirty years will enable you to present the matter to the committee in such a manner as to make them understand the conditions as we know them.

Yours, truly,

NATIONAL CYCLE MANUFACTURING CO.,
F. C. FINKENSTAEDT, *Secretary.*

Digitized by Google

EXHIBIT D.

FITCHBURG, MASS., *December 12, 1908.*

Col. GEORGE POPE,
Pope Manufacturing Company, Hartford, Conn.

DEAR SIR: The writer understands that it is your intention to appear before the Ways and Means Committee at Washington in protest against any reduction in the tariff on bicycles, and, if you will, we would like to have you represent us at this hearing.

We believe that the bicycle business can not stand any reduction in tariff. We have been driven out of the Japanese market, where we had a good trade, and practically from the European market by the Belgian, German, and English machines, on account of the difference in cost of manufacture, the item of labor entering into bicycles to such a great extent that it gives foreign products a great advantage over those of American make.

In continental Europe the people even take some of the labor to their homes, where the wives and children perform some of it. This saves for the manufacturer much space that would otherwise be required for help, besides heating, lighting, taxes, etc. In Japan the difference in cost is even greater, as Japanese labor is cut still further than that of continental Europe.

In fact, labor and other items place this competition in such shape that if foreign bicycles were to enter the American field to-day such little business as now exists in this line would be swept away by foreign competition.

I hope you will use every effort to impress upon the Ways and Means Committee the fact that any reduction in the tariff on bicycles would be disastrous to the bicycle industry of this country, and also to that of bicycle parts and accessories.

Very truly, yours,

IVER JOHNSON'S ARMS AND CYCLE WORKS,
FRED I. JOHNSON.

EXHIBIT E.

MIDDLETOWN, OHIO, *December 14, 1908.*

GEORGE POPE,
New Willard Hotel, Washington, D. C.:

Please represent us at meeting. We earnestly hope your effort to prevent reduction of duties on bicycles will be successful. The bicycle business is only now slowly getting on its feet after depression caused by fad passing out. The present profits are very small, and if obliged to meet prices of foreign competitors, with cheap labor, would practically kill the bicycle business in this country.

THE MIAMI CYCLE AND MANUFACTURING COMPANY.

EXHIBIT F.

TOLEDO, OHIO, *December 14, 1908.*

GEORGE POPE,
Willard Hotel, Washington, D. C.:

Enter our most vigorous protest against reducing duties on bicycles.

THE TOLEDO METAL WHEEL CO.

Digitized by Google

EXHIBIT G.

TOLEDO, OHIO, *December 12, 1908.*

GEO. POPE,
New Willard Hotel, Washington, D. C.

DEAR SIR: We are in receipt of your telegram advising us that the Committee on Ways and Means will hold a hearing on the question of reducing the duty on bicycles next Tuesday.

We regret exceedingly that it will not be possible for us to have a representative there at that time, so we authorize you to speak for us in earnestly protesting against lowering the duty on bicycles. It is a well-known fact that makers of bicycles in this country have not been getting fat at the business of late years, owing to the fact that prices are brought down so uncomfortably close to cost, and it is a well-known fact that our labor cost is very much greater than in England, France, or Germany. Should foreign manufacturers be allowed to bring their bicycles into this country in competition with us, it would simply drive American-made bicycles off the market. Foreign makers have of late years been using our improved machinery, and, in addition to this, with their cheap labor, they have been able to take all the export business that American makers formerly enjoyed. That is evidence enough that we can not compete with them under our labor cost.

Yours, very truly, GENDRON WHEEL CO.

EXHIBIT H.

CHICAGO, ILL., *December 14, 1908.*

GEORGE POPE,
New Willard Hotel, Washington, D. C.:

Unavoidably delayed; can not be with you in person. As our interests are parallel with yours, believe you can present our mutual interests in most able manner. We are absolutely for no reduction in tariff, particularly as this would affect the baby industry of motor cycles in the already heavily involved bicycle business.

EXCELSIOR MOTOR AND MANUFACTURING CO.,
FRED. C. ROBIE.

HON. D. S. ALEXANDER, M. C., FILES LETTER OF THE EMBLEM MANUFACTURING COMPANY, ANGOLA, N. Y., RELATIVE TO THE DUTY ON BICYCLES.

ANGOLA, N. Y., *December 22, 1908.*

Hon. D. S. ALEXANDER, *Washington, D. C.*

SIR:

* * * * * * *

In connection with the foreign business, manufacturing of bicycles, we would point out to you that the manufacturers of England, Germany, and Belgium have so far greatly undersold the American manufacturer, due principally to very cheap labor, less than one-third average cost to the American manufacturer; the foreign maker has

Digitized by Google

installed the latest kind of machinery, considerable of it being the finest American make of machines, permitting them to make up stock with the same speed of the home maker and having the advantage of all labor, both directly employed in the manufacture of the bicycle itself, and also the labor entering the manufacture of the materials themselves used by the foreign manufacturer, which has permitted the foreign maker from about 1904 to undersell us abroad to such an extent that our foreign trade has fallen from several millions of dollars per annum to a very inconsiderate sum, practically nothing.

If the present tariff on bicycles be modified or taken off, you will appreciate instantly that the bicycle industry of this country will be wiped out in a hurry, for we can not produce bicycles in this country with the labor wage as it is and compete with the foreign trade as above stated, and if you have any influence with the Ways and Means Committee we trust that you will use it to prevent any change in the present duty on bicycles entering this country.

Yours, truly,

EMBLEM MFG. CO.,
W. G. SCHACK, *General Manager.*

BUILDERS' HARDWARE AND LOCKS.

[Paragraph 193.]

THE RUSSELL & ERWIN MANUFACTURING COMPANY OF NEW BRITAIN, CONN., ASKS THAT THE PRESENT DUTIES BE RETAINED ON BUILDERS' HARDWARE.

NEW BRITAIN, CONN.,
November 30, 1908.

Hon. SERENO E. PAYNE, M. C.,
Chairman Committee on Ways and Means,
House of Representatives, Washington, D. C.

DEAR SIR: Our company is one of the foremost producers of builders' hardware and locks in America. Our product is covered by paragraph 193 under Schedule C of the customs tariff act of 1897. The rate of duty there imposed, 45 per cent ad valorem, has been sufficient to protect us against foreign competition, and we consider it adequate. The hardware industry has prospered under this rate of duty, and yet this measure of protection has not fostered monopoly, insured inordinate or unreasonable profits, or wrought injury to the interests of the consumer. We plead, therefore, that the present rate of duty upon builders' hardware and locks, 45 per cent ad valorem be retained in the tariff bill which the Committee on Ways and Means will shortly formulate.

Efforts which our company has made during the past year have been unsuccessful in securing the cost figures of foreign-made hardware which we would have liked to present to your committee in comparison with American costs of the same articles, in support of our contention that the rate of duty at present imposed upon such articles is not unreasonable. We can lay before you, however, selling prices of certain articles of French and English manufacture, and set against them the cost, exclusive of profit or selling expense, of reproducing such articles in America.

Digitized by Google

For purposes of comparison we have selected two classes of goods: From the French, the very highest quality bronze hardware, hand chased, in the cost of which 65 per cent is labor. From the English, goods of the cheapest possible description in which labor figures 52 per cent of the total cost as produced in this country. These two classes of builders' hardware, extremes in both quality and cost, have been selected as typical because of the bearing of each class upon the question of labor, the one showing the greatest possible ratio of labor to the total cost, the other the least. Little hardware of the French type is made in this country. The demand for goods of this high standard is limited and is supplied from abroad, notwithstanding the 45 per cent duty against it. Its high price, even as made in French factories, restricts its sale; and in a large degree it is, under present conditions, noncompetitive with high-grade American hardware. The English goods, however, would, if admitted free or at a materially lower duty, come into competition with our hardware notwithstanding the fact that they are not of a distinctly American type. English and German manufacturers have always been very alert to meet the demands of foreign markets, and with the barriers let down they would undoubtedly flood our markets with goods of this class made to conform to American tastes or preferences and to fulfill American requirements of service or duty.

It should be constantly kept in mind that in the table given below the French or English figures state the selling price, which undoubtedly comprises a reasonable manufacturer's profit. The American figures, on the other hand, give only the actual cost of production with no addition for profit, and with no provision for expense of marketing the goods.

Article.		Selling price.	American cost.
FRENCH HARDWARE.			
Escutcheons A	each	$3.28	$8.94
Bolts B	do	12.71	46.94
Drop handle C	do	2.67	7.39
ENGLISH HARDWARE.			
Chain door fast D	dozen	.60	1.08
Door knocker E	do	1.38	1.62
Doorknob F	do	4.09	4.80
Knob, drop and rose G	set	2.58	3.07
Shop-door lock H	dozen	1.76	2.33
Push plate I	do	.86	1.20
Push plate K	do	.78	1.44
Push plate L	do	.90	1.68
Drawer pull M	do	.40	.47

The instances cited have been chosen at random from a considerable list of foreign-made goods upon which we have computed costs. Examples might be multiplied indefinitely, but as these are altogether typical it seems unnecessary to burden the argument.

The selling prices given in this memorandum are those prevailing in the home markets of the producing countries. They are not export prices, made to work off surplus product with but small regard to cost. They are the prices at which the makers sell to their own people, and it is a fair presumption that they include a manufacturer's profit. A comparison of these figures and an analysis of the costs of foreign goods as

Digitized by Google

reproduced in this country forces the following conclusion: That even with the present rates of duty American hardware makers are powerless to compete with French manufacturers of the highest type of hand-finished goods; that the duty of 45 per cent now imposed upon hardware is not more than enough to exclude ordinary commercial lines of English wares; and that any, even moderate, reduction in the tariff upon goods in which labor is so large a factor, as from 52 to 65 per cent of the total cost, must have the effect of crippling the manufacturer and discouraging capital from investment in the hardware business or of reducing labor to conditions which prevail in the English hardware trade.

As bearing upon these conditions we quote the statement recently made us by a brass founder of Birmingham, that the operations of brass grinding and brass polishing in his establishment were performed by boys and girls at wages of from 50 to 75 cents a day. This is the hardest and most exhausting kind of labor, which the enlightened American employer would consider it absolutely wrong to require of girls, women, or even of young boys. The English manufacturer quoted protested against it, but excused the practice as one imposed upon him by the conditions of trade. This same work is performed in the trade in this country by men alone at wages ranging from $1.80 to $2.50 per day. The statement referred to, taken in conjunction with foreign prices of builders' hardware, forces the conclusion that this instance is typical of English industrial conditions; and that, if the barriers now set up against the importation of English goods are measureably relaxed, English rates of wages and standards of living must eventually prevail in the American hardware industry.

To sum up, then: The hardware industry has prospered under the protection afforded by the terms of the Dingley tariff. The industry has not been centralized in a few hands during this era of protection, but has remained an open trade, dominated by no trust, but distinguished by progressive and earnest competition, which has made for increased efficiency of plants and improved economical methods of production. The rise in the price of builders' hardware during this period has not exceeded (if, indeed, it has equaled) the ratio of increased values in other items of building construction, indicating that it is not through oppression of the consumer that the industry has flourished. The rates now ruling fail to shut out the importation of the highest quality of French hardware; but as the demand for such goods is small and their manufacture is not now being carried on in America, no exception is taken to this fact nor any desire expressed for a higher rate of duty upon such goods. A lower tariff upon English and German hardware than is now enforced will eventually open our doors to heavy importation of medium grade and cheap goods which our foreign competitors, with their aptitude for imitation, will quickly pattern after American types. It is self-evident from consideration of the selling prices of foreign makers that any material reduction of the tariff must extinguish the profits of American hardware makers unless the wage rate now in force in their trade be materially reduced. Because labor is so important a factor in the cost of hardware any revision of the tariff schedules which does not take full account of the widely different wage conditions in the industry at home and abroad will react most

Digitized by Google

disastrously upon the scale of living of operatives in the trade which we represent. The manufacturer would have but two alternatives open to him; to so reduce his labor costs as to bring them on a parity with those of his foreign competitor, due allowance being made for such measure of protection as the new tariff might afford, or to go out of business.

In conclusion we wish to record our belief that the subject now being reviewed by your committee can have full, impartial, and adequate consideration only at the hands of a nonpartisan tariff commission, such as was appointed by the German Government when revision of the German tariff was pending. The very fact that we are manufacturers puts out of our reach information regarding the conditions surrounding our own industry abroad which might be readily accessible to a government commission, even were the cost of collecting information which must be personally sought left out of calculation.

The project of a tariff commission having to all appearances been abandoned, as we are denied that intimate knowledge of conditions in our own trade abroad which the labors of such a commission would afford, and which in the nature of things it is most difficult for interested parties like ourselves to obtain. Consequently, we can base our arguments upon such facts only as we have been able to gather, or as are a matter of common knowledge. Certain figures which we have collected are set before you above. They represent the average of conditions as we find them. Basing our deductions upon such data we reiterate our conviction that the tariff schedules, so far as they affect builders' hardware and locks, ought to be left undisturbed at an ad valorem rate of 45 per cent.

Very respectfully, yours,

RUSSELL & ERWIN MFG. CO.
ISAAC D. RUSSELL, *Vice-President.*

CARRIAGES.

[Paragraph 193.]

HON. N. D. SPERRY, M. C., STATES THAT CONNECTICUT CARRIAGE MAKERS DESIRE NO INCREASE OF DUTY.

WASHINGTON, D. C., *December 12, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means.

SIR: I have been requested to state to your committee that so far as New Haven, Conn., is concerned the manufacturers of carriages do not desire any further duty on their line of goods. New Haven used to be the center of carriage manufacturing and to-day has a number of factories.

Respectfully, N. D. SPERRY, M. C.

Digitized by Google

WM. HOOKER ATWOOD, NEW HAVEN, CONN., THINKS THERE IS NO LONGER NEED OF DUTY ON CARRIAGES.

NEW HAVEN, CONN., *November 19, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
House of Representatives, Washington, D. C.

DEAR SIR: I very much regret that I can not be in Washington to appear before your committee in reference to certain articles in which we are very much interested, but send you herewith copy of letter that I wrote to the chairman of the National Manufacturers' Association in the winter of 1906 and 1907. I will call your special attention to a reduction of the tariff on hides, leather, wool, goatskins, mahogany, and lancewood.

We are the largest manufacturers of automobile bodies and wheels in New England. Any reduction that would benefit us would certainly benefit producers of lower grades.

Poplar, which is used in immense quantities for panels, is growing very scarce and is very high priced. We believe that if the tariff was taken entirely off on mahogany that we could use that to equal advantage with the famous builders of Paris.

You will note in the copy of our letter inclosed herewith the following statement: "We are not in favor of free trade, but we are in favor of a reasonable reduction," etc.

Several years ago the writer made three trips around the world selling carriages, and there is no occasion any longer for any tariff on carriages.

Yours, faithfully, WM. HOOKER ATWOOD,
President New Haven Carriage Co.

[Copy of letter written to the president of the National Manufacturers' Association.]

We do not require any tariff on carriages for our protection, but if the Government desires a revenue out of the few that will be imported, reduce the tariff to 10 per cent.

Automobiles are luxuries, and the present tariff should be retained.

The tariff on hides should be entirely taken off, as the demand is greater than the supply all over the world. The tariff on leather should be reduced to at least 10 per cent.

The tariff on wool should be reduced so that there could be a reduction on cloths suitable for carriage and automobile builders.

The tariff on goatskins should be reduced to at least 10 per cent, as the American manufacturers of goatskins have had many years of high tariff in which to produce them equal in quality and finish to European manufacturers, and they are not making them as good now as they did twenty years ago. The tariff on mahogany and lancewood should be entirely taken off, as none of it is grown in this country and we could use a great deal of mahogany if there was no duty on it.

The National Carriage Makers' Association at its last meeting, in October, 1906, advocated a revision of the tariff. If each association of manufacturers in their different lines would get together and decide, from their point of view, how much reduction each could stand, it seems to us the matter would be very simple, at the same time causing no reaction in business worth speaking of.

We are in favor of reciprocity with Canada, as we believe that the sales of the productions of our manufacturers would be very largely increased by so doing. We are not in favor of free trade, but are in favor of a reasonable reduction on finished and raw materials, so that we can do business in any part of the world.

WM. HOOKER ATWOOD,
Vice-President New Haven Carriage Company.

Digitized by Google

EMBROIDERY MACHINERY.

[Paragraph 193.]

THE DURBROW & HEARNE MANUFACTURING COMPANY, NEW YORK CITY, URGES A LOWER DUTY.

NEW YORK, *December 14, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

DEAR SIRS: We submit for your consideration the following facts, which are so well known that we think no one will dispute them:

I. The importation of Swiss embroideries into this country is very large.

II. The manufacture of Swiss embroideries is really at present an infant industry, but seems to be growing.

III. All machinery for making Swiss embroideries is imported.

IV. The duty is 45 per cent.

V.. If anyone desires to make such machinery here, the freight and shipping charges and erection alone would be protection, and, in addition, we can make it cheaper than Europe.

VI. As the investment in machinery is large, it requires capital to start in the industry; and although European makers are willing to give credit, the cash outlay for duty helps to keep the smaller men out of business.

A lower duty on such machinery would help the manufacturers of Swiss embroidery and would not harm American trade, as there is none.

We might mention that we understand as a parallel case that Mexico admits free of duty machinery used in the manufacture of straw hats.

Yours, very truly,

DURBROW & HEARNE MANUFACTURING COMPANY,
R. J. HEARNE, *Secretary and Treasurer.*

GAUGES FOR TESTING MACHINES.

[Paragraph 193.]

HON. E. J. HILL, M. C., FILES LETTER OF C. A. JOHNSON, FOR GISHOLT MACHINE COMPANY, MADISON, WIS.

MADISON, WIS., *December 17, 1908.*

C. H. ALVORD,
Hendey Machine Company, Torrington, Conn.

MY DEAR MR. ALVORD: It has occurred to me that your friend, Congressman Hill, may be able to incorporate into the new tariff bill a provision that will be of great benefit to many of our manufacturers.

You, no doubt, have had some experience in trying to get through the customs-house sample pieces sent from across the water to be used for the purpose of testing out machines. We have had considerable of this, and it has always been necessary to pay duty on these samples,

Digitized by Google

although in many cases the samples are defective pieces and sent here simply to enable us to determine whether or not special tools are made exactly right to accomplish the desired results. Not only is it necessary to pay duty on these samples, but no way has been found by which the duty would be refunded in case the samples were returned to the original owner. In other words, it is necessary for the foreign consumer to pay for the privilege of dealing with the American manufacturer by paying duty on something that is of absolutely no value except to the purchaser, and which, in most instances, could not possibly be made use of here in this country.

We had an extremely aggravated case lately, when we were sent a number of gauges to be used for testing tools, and, doubtless for insurance purposes, our customer placed a value of $450 on these gauges, which, of course, were valuable to him, but of absolutely no value to anyone else. There seemed to be no way to get these into this country without paying a duty of approximately $200, and if this duty had been paid no refund could have been obtained. Therefore we found it necessary to have the gauges returned, we taking the chances that our tools would be so nearly right that our expert, when it comes to starting up the machine (which is to go to France), will be able to make any necessary changes.

This matter of paying duty on parts sent here for the purpose of testing machines has been one that many manufacturers have been up against, and you can well imagine that it is very aggravating for the foreign customer to be charged with the cost of duty on such articles as mentioned. In order to guard against dishonest practices it might be necessary to collect the duty, but provision should be made whereby this duty could be refunded in case the parts were returned to the country from which they came.

I had intended, first, to write a letter along the lines above direct to the Ways and Means Committee, but it then occurred to me that it would have more influence if you would take this matter up with your friend, Mr. Hill, who, I am sure, will readily appreciate the necessity for taking the necessary steps to relieve many American manufacturers of a very embarrassing situation.

Hoping that this finds you well and that business is gradually improving, I remain, with best regards,

Yours, truly,

GISHOLT MACHINE COMPANY,
C. A. JOHNSON.

GRINDING MACHINERY.

[Paragraph 193.]

THE DIAMOND MACHINE COMPANY, PROVIDENCE, R. I., ASKS REDUCTION OF DUTIES ON ITS RAW MATERIALS.

PROVIDENCE, R. I., *December 2, 1908.*

COMMITTEE ON WAYS AND MEANS,
House of Representatives, Washington, D. C.

GENTLEMEN: As manufacturers of grinding machinery, we respectfully ask leave to present to you a statement of the ways in which our business would be benefited by a reduction of the tariff, especially by lower duties on iron and steel.

Digitized by Google

(1) If iron and steel could be imported free of duty, our trade would be greatly increased, especially abroad. In our machines the cost of the metal forms a large element in the price of the machine, frequently exceeding the labor cost. This is particularly true of our larger machines, and of our grinder columns. Consequently, if we were able to buy our iron cheaper, we could sell our machines much more cheaply. More people in this country could afford to buy grinders, and so general trade would benefit as well as ourselves. And we could meet foreign competition better.

As it is now, high prices are a marked obstacle to sales abroad. Moreover, the price we are obliged to pay for American steel and iron exceeds the foreign price of these same metals by a margin equal to the duty. Our foreign competitors buy American steel and iron much cheaper than Americans do, and consequently can undersell Americans abroad.

So far it has occasionally been possible to justify higher prices on the ground of superior design and workmanship. Of late years, however, this superiority has become less marked because the Germans have improved their shop methods and copied our designs. We have several times felt that they have copied our own machines. Consequently our German sales have fallen greatly in the last few years, and we can not hope to recover lost ground unless we can compete with them on the basis of an open market for iron and steel.

(2) The same conditions apply to other articles in a lesser degree. Lumber is a very heavy item in boxing for foreign shipments, and free lumber would be of great advantage to us in foreign sales.

During the coal strike of 1902 we had an inkling of the blessing that free coal would bring, for we were able to import free of duty a cargo from Wales, and for once burnt cheap and good coal.

Lower duties on paint and oils would also benefit us.

(3) There is another obstacle to foreign trade which might be removed through a revision of the tariff. Besides the disadvantage of high-priced metals and supplies, American tool builders are obliged to overcome retaliatory tariffs which have been imposed by foreign countries. From this cause our Russian trade has declined greatly. Our Austrian agent lately wrote us as follows, speaking of a grinder he had ordered: "We have to make the column in Vienna on account of the high freight charges and duty, the duty alone being $2.50 per 100 pounds. With this price added to your price list, we never could have sold the machine."

And now we are informed that France is considering a marked increase in her duties on machinery. This would practically wipe out our sales to Fenwick Freres & Co., of Paris, France. They are our largest foreign customers, and do a considerable portion of our whole business. They also pay very promptly. The loss of their trade would be a serious blow to us.

Consequently, we hope that your honorable committee will recommend a reduction of duties on the chief imports from France, in return for which we may secure concessions on her part, or at least prevent the imposition of higher duties. We hope that a similar policy of reciprocity may be used toward other nations. Not only would this throw down the tariff walls erected, or about to be erected, against American goods, but it would promote good feeling toward this country, and increase the desire to buy American goods.

Digitized by Google

(4) We do not expect to gain all these advantages from a reduction of the tariff without some concession on our part. It would not be fair that all protection should be taken from the iron and steel people, while the machinery manufacturers were still heavily protected. We feel that if we were allowed to buy our raw materials in the cheapest markets that American enterprise and American skill in workmanship and design would make it possible for us to meet foreign competition without fear. Despite our many disadvantages under the present system, we are able to meet foreign competition abroad to some extent. With these disadvantages removed, it will not threaten us seriously at home, even though there be no duty on machinery.

We therefore ask for a reduction of the tariff, first, because it will increase our foreign sales, and secondly, because it will lower machinery prices in this country, and so increase the machinery trade at home.

Yours, very respectfully,

DIAMOND MACHINE COMPANY,
By Z. CHAFEE, Jr., *Treasurer.*

GUN SHELLS.

[Paragraph 193.]

THE AMERICAN AMMUNITION COMPANY, MUSCATINE, IOWA, ASKS A LOWER DUTY ON GUN CARTRIDGE CASES.

MUSCATINE, IOWA, *December 31, 1908.*

CHAIRMAN WAYS AND MEANS COMMITTEE,
Washington, D. C.

DEAR SIR: We would like to call the attention of your committee to the existing prohibitive tariff on paper shotgun shells, or sometimes known as shotgun cartridge cases, and used for loading shotgun ammunition as used generally in this and other countries by all sportsmen for target and game shooting. These empty cases are not specified in the Dingley bill, and therefore come in as manufactured articles, carrying a duty of 45 per cent ad valorem. Under this high tariff it is almost impossible to import them and compete with American combine, known as the "Ammunition Association," and consisting of the several factories in this country manufacturing the goods in question and who are associated together in order to keep prices up where they want them and cut out all competition by regulating the sale of the empty cases as they see fit, and just as soon as any loading company gets to doing too much business and encroaching on their trade in the least they either charge so much for empties that it makes them unprofitable to load or they discontinue to furnish us altogether.

This is the state of affairs we are up against at the present time, as 4 of the 5 concerns manufacturing empty cases in this country have refused to sell us any further supply of empties for loading purposes, and the other factory is charging us such an exorbitant price that unless we can get relief by importing shortly we shall be forced to shut down our plant, which will throw our men out of employment

Digitized by Google

and cause our machinery to be worthless. We have a capacity of 15,000 loaded shells per day when we can obtain the empty cases, or 25,920,000 loaded shells per year, running steady, as we do when we can secure empties. Powder, wads, and shot, and all loading materials we have no trouble in buying at reasonable prices, as while some of these goods have been controlled to a certain extent, they have not been successful, owing to the competition in these lines and the fact that they could not get together on them, while the few firms making the empty cases found it easy to—with the aid of the high tariff—control the sale of empties in this country.

The American manufacturers of these shotgun cases are all loaders of them at the same time, and prefer to place their product on the market in the form of a loaded shell rather than in the form of an empty case in order to obtain for themselves the profit there is in loading them, and they therefore desire to restrict the sale of them to anyone engaged in loading. Before the agreement between them, it was easy to buy them, and for fully 25 per cent below their present prices, while at the present time we can not buy them only at exorbitant prices from one company whose empties are of inferior quality and do not give satisfaction to the trade. They put the price on the empty cases so high in comparison to the price at which they sell them in loaded form that it is not possible for loaders to buy the empty cases from the manufacturers and compete with them in the loaded-shell business. Whereas, a lower tariff allowing us to import would soon bring them back to their former terms.

The fact that this association of American shell manufacturers have at various times shipped quantities of these empty cases into England and other countries in competition with the numerous manufacturers of them there, on an even basis, with the freight rates against them would seem pretty good evidence of the profits they are making on them and that they should be able to continue their business profitably with a duty of 20 or 25 per cent or even less. One of our officers was formerly connected with one of the largest manufacturers of empty shell cases, in the capacity of general manager, and knows the exact cost to manufacture these cases in question, which, by the way, is about 40 per cent below what they agree to sell to us for, when they will do so at all. There are a number of factories loading shells that are in the same position as we are, and unless something is done to relieve the situation and prohibit the American manufacturers from controlling us and our output, we will in due time be forced to close down and leave the field entirely to the "association." There was a time only a few years back when practically all of the better-class sportsmen loaded their own shells—those that were particular and desired to know what was in their guns—but the manufacturers of the empty shells raised the price on empties from 55 cents per hundred to $1.05 per hundred, which price still obtains to the consumer (for cheap grades of shells), while the dealer is compelled to pay this price for the better grades.

A lower duty will not mean the importation of large quantities of empties, but will mean the same consumption of American-made cases, for just as soon as loaders of shells commence to import, the American factories will adjust their prices correspondingly, which we know they can easily do from years of experience in all lines of the ammunition business. If there are any good sportsmen on your committee

Digitized by Google

they will readily understand the position we have taken, and can well recall the raise in price of empties a few years ago, whereas the loaded ammunition is practically the same price in corresponding grades. Black-powder shells sold ten years ago for 45 cents per box, and they sell for the same money the country over to-day. However, the empty cases ten years ago sold for around 50 cents per hundred, where to-day they are worth 90 cents to $1 per hundred, retail and smokeless cases higher in proportion.

Anything you can do for us in this matter of tariff on empty paper cartridge or shotgun cases will be highly appreciated, we assure you, as we are at present the same as tied up by the American manufacturers, and unless some relief is in sight within a few months we will have to shut down our factory or the greater part at least.

Very truly, yours,

AMERICAN AMMUNITION COMPANY,
Per MOSES B. PAGE.

FRED BIFFAR, CHICAGO, ILL., WISHES PRESENT DUTY ON GUN SHELLS REDUCED TO TWENTY PER CENT.

CHICAGO, ILL., *November 27, 1908.*

CHAIRMAN WAYS AND MEANS COMMITTEE,
Washington, D. C.

DEAR SIR: I would like to call the attention of your committee to the fact that paper shotgun shells, sometimes known as "paper shotgun cartridge cases," are not specified in the Dingley bill, consequently they come in as manufactured articles. The component part is chiefly brass and carries a duty of 45 per cent ad valorem, and if you will have the records looked up you will find there has been scarcely any of these goods imported for the reason that 45 per cent is a prohibitive tariff.

I am sending you under separate cover a sample of imported paper shotgun shells and will state that I would like to import these goods and load them here with powder, wads, and shot, but under the present rate of duty I can not do so and I must depend on American manufacturers for supplies of these goods, and the same manufacturer may cut off my supply at any moment leaving me with machinery for doing this work that will be useless.

I would be glad to go to Washington and present this case to you in person, but the amount involved would be trivial as compared with subjects you are now handling, for as a matter of fact I think I could import about 2,000,000 of those shells per year, and the average price per thousand shells should be approximately $4 per thousand or a gross sum, say, of $8,000 per year, and I would recommend that these shells be put either on free list or if the Government could reap a benefit from this business I should recommend 10 per cent ad valorem, not to exceed 20 per cent ad valorem, or a flat rate of, say, $1 per thousand if you prefer to put it that way.

The shells are described "primed empty shotgun shells" or "primed empty shotgun-cartridge cases." The latter is the term used

Digitized by Google

in Europe more frequently and the former is the term used in this country most frequently.

The above items could consistently be added to paragraph 424 under the title of explosive substances of the Dingley bill.

I think you will find the only shells now imported are pin-fire—not made in this country.

Yours, truly, FRED BIFFAR.

HORSESHOE CALKS.

[Paragraph 193.]

STATEMENT OF WARREN D. CHASE, REPRESENTING THE STERLING MANUFACTURING CO., HARTFORD, CONN.

WEDNESDAY, *November 25, 1908.*

Mr. CHASE. Referring to Mr. Clark's observation, Mr. Chairman, I will minimize as far as possible this frazzling process.

Mr. CLARK. I wish you would.

Mr. CHASE. I appear here as the general manager of the Sterling Manufacturing Company, of Hartford, Conn.

Mr. GRIGGS. Just a moment, please. [Laughter.]

Mr. CHASE. Yes; when we can not make money we will go out of business, and we want to stay in it.

Mr. GRIGGS. All right.

Mr. CHASE. I represent the detachable horseshoe calk manufacturers of the country. Judging by the remarks of these gentlemen, you are not familiar with this product. I have here two boxes—one of the finished product of the factory, and one of the product with the hardened steel core projecting after the calks have been worn. These calks are a comparatively new product in this country. They are manufactured with a hard center of tool steel, and a soft exterior, and are screwed into horseshoes in the winter season. They are used in the snow and ice belt of the United States. The idea is that by having a hard center and a soft exterior they will continually wear sharp wherever they can penetrate the surface upon which the horse's shoes strike.

In this connection there are four or five principal points which I wish to outline. In the first place, we are one of these highly specialized Carnegie industries——

Mr. GRIGGS. Is this device patented?

Mr. CHASE. No, sir. We are one of these highly specialized Carnegie industries that needs protection, for the very reason that the industry in this country is small, and we are producing not more than 3 per cent of the total product that can be marketed in the snow belt of the United States.

The CHAIRMAN. Are the rest of the products domestic—the old-fashioned ones?

Mr. CHASE. The old-fashioned calks, which were driven into the shoe by the blacksmith, of course preceded the manufacture of these calks, and they are to a large extent——

The CHAIRMAN. Do they occupy 97 per cent of the market?

Mr. CHASE. About 97 per cent of the market to-day.

Digitized by Google

The CHAIRMAN. And you want a tariff so that you can get your calks in?

Mr. CHASE. Our calks are being used. We do not ask for anything additional in the way of a tariff, we might say, nor do we ask for the maintenance of anything in particular at the present time. When the Dingley bill became a law these goods were so little known in this country, there were so few of them manufactured, that they were not classified, and until within a year or two there has been no import whatever.

Mr. GRIGGS. You say you do not ask for any duty?

Mr. CHASE. Yes; we do ask for a duty, but what I say is that heretofore there has been no particular duty levied upon these calks; and we come before you gentlemen here with a new proposition, asking only for sufficient protection to offset the difference between the price of imported calks and the price of our domestic calks, which I will take up in just a moment, showing you the exact valuation of those which are imported.

The CHAIRMAN. What duty do they collect on them now?

Mr. CHASE. Forty-five per cent. They come in under the basket clause, or last clause in schedule C.

The CHAIRMAN. It looks as though these things were made by machinery. Is not that enough?

Mr. CHASE. They are made by machinery; certainly they are.

The CHAIRMAN. Is not that enough?

Mr. CHASE. Forty-five per cent?

The CHAIRMAN. Yes.

Mr. CHASE. No, sir.

The CHAIRMAN. Go on and show why it is not.

Mr. GRIGGS. Is not the competition between you and these old-fashioned calks?

Mr. CHASE. No. Wherever we get our calks introduced they stay; that is for the reason that after a horse is shod with a set of what are known as "never-slip" shoes, the man can screw in his own calks in his barn, taking out the worn set and saving the time that formerly was employed in going to a blacksmith shop on icy mornings and waiting around half a day or more.

The CHAIRMAN. If that is so, why do you not introduce them?

Mr. CHASE. We are introducing them.

The CHAIRMAN. Why are they not self-introductory, if that is the case?

Mr. CHASE. Mr. Chairman, there is a very simple reason why they are not self-introductory. All of this product is handled through horseshoers; and horseshoers, in the first place, are very much prejudiced against the use of detachable calks. Consequently they are slow in reaching the hands of horse owners.

These calks which are imported into this country come into the port of New York under a valuation of $5.37 a thousand for the average size of calk, which is a half-inch calk. That means that they pay a 45 per cent duty, practically $2.50 a thousand. They are offered to the horseshoers of the United States to-day at $15 a thousand. Our prices are $26 a thousand, which amounts to $11 a thousand more. That price of ours of $26 a thousand includes the jobber's commission of 25 per cent, out of which he pays all his expenses, and the manufacturer's profit of from 12 to 15 per cent,

Digitized by Google

which is not an unreasonable manufacturing profit. Those imported calks already pay a duty of about $2.50 a thousand; and with that duty and with the profit they are offered to the domestic horseshoers at $11 a thousand less than our own product.

The CHAIRMAN. Are those imported calks made the same as yours are—the same shape?

Mr. CHASE. Yes, sir; they are the same shape. They come with square and round shoulders, just as ours do. In fact, samples of ours were taken over from this country; when we had secured a sufficient market to make it worth while our samples were taken over to Germany, and their manufacturers endeavored to duplicate them. That business started last year, and this year is practically the first time that they have been offered in this market at those prices.

The CHAIRMAN. How much was imported last year, in dollars?

Mr. CHASE. A very small amount last year; about from twenty to twenty-five thousand dollars.

The CHAIRMAN. And the year before?

Mr. CHASE. None.

The CHAIRMAN. So that your principal competitor is the old-fashioned calk?

Mr. CHASE. We do not call that a competitor. We are trying to develop the business in the United States, and we are doing it. The business has been growing from year to year.

Mr. CLARK. Let me ask you a question. If you should give every blacksmith in the United States two or three dozen of these things—make him a present of them—would not that put an end to the old-fashioned calk that is keeping you out of the market now?

Mr. CHASE. No, sir.

Mr. CLARK. Why would it not?

Mr. CHASE. Because, as I say, the horseshoer naturally has a prejudice against this product, for the reason that it keeps the horse owner away from his shop after he once gets shod with the "never-slip" shoes. That was a very real thing in the years gone by, and in some parts of the country it is very strong to-day.

Mr. CLARK. Why do you not get up a circular illustrating these things and send it to the people?

Mr. CHASE. We are doing that.

Mr. CLARK. In that way you would soon run the other fellow clear out of business, would you not?

Mr. CHASE. Whom do you refer to as "the other fellow?"

Mr. CLARK. The manufacturer of the old-fashioned calk. This thing is evidently a good thing as far south as the south line of Missouri, about where the snow quits.

Mr. CHASE. Yes; through the snow belt of the United States we expect eventually to run the old-fashioned calk out of business in the winter time in such parts of the country as now use a steel-center detachable calk. In the cities the calks are not so generally used, for the reason that on the hard pavements there is very little surface which a calk can penetrate.

Mr. CLARK. Why do you not advertise the old-fashioned ware out, get yourself a patent, and shut the foreigner out?

Mr. CHASE. We can not get a patent, for the reason that for a great many years schemers and dreamers were talking of this thing, and patented the article; and while those patents ran out long ago, it

Digitized by Google

has only been within from six to ten years that the thing has been developed to where it is a commercial proposition. At the present time there are four different manufacturers in the United States, having an invested capital of about one million and a quarter dollars, and employing about four hundred hands. Their annual product is from about one million dollars to one million two hundred thousand dollars. This product all goes out in a period of from five to six weeks, all at once, just about this time of the year; and during the remainder of the year we have to buy our raw material and manufacture the goods and hold them on hand and send them out at this particular time.

The CHAIRMAN. How much are these goods worth per pound?

Mr. CHASE. They are worth 50 cents a pound.

The CHAIRMAN. The fact of it is that while they were held dutiable by the General Board of Appraisers, under paragraph 93, as "manufactures of steel not otherwise provided for," the importers claimed that they came in under paragraph 135, providing for "steel in all forms or shapes not specially provided for," where the duty is 1.1 cents a pound, or about that—less than that, in fact—according to the value?

Mr. CHASE. But that claim did not prevail; did it?

The CHAIRMAN. Or rather, 4.7 per pound. That is what the importers claim; is it not?

Mr. CHASE. Yes.

The CHAIRMAN. And that matter is in litigation.

Mr. CHASE. I think not. The Board of General Appraisers, as I recall, passed upon——

The CHAIRMAN. Has not the matter been appealed to the courts?

Mr. CHASE. Not that I know of. I may not have the necessary information; but I am not aware of any such thing.

Mr. CLARK. How much would eight of them cost?

The CHAIRMAN. There is an appeal pending there.

Mr. CLARK. How much would eight of them cost—enough to go on a horse?

Mr. CHASE. They use sixteen on a horse—four to a shoe. The price charged by the horseshoer is from 4 to 5 cents apiece, depending upon the part of the United States in which they are sold.

Mr. CLARK. In the case of the old-fashioned kind, only three were used to a shoe, were they not?

Mr. CHASE. The old-fashioned calks? Yes—two heel calks and one toe calk.

Mr. CLARK. Two at the heel and one at the toe?

Mr. CHASE. Yes.

Mr. CLARK. How long will a set of these things last?

Mr. CHASE. The average life of a set of these calks is about four days.

Mr. CLARK. About four days?

Mr. CHASE. About four days.

Mr. CLARK. They only last four days?

Mr. CHASE. That is the average life of them. It depends entirely upon the condition of the highways. If there is plenty of snow on the ground, they last weeks. Frozen ground, however, acts as an abrasive.

Digitized by Google

The CHAIRMAN. The average life of the old-fashioned calk was how much?

Mr. CHASE. I do not know. There was no average life that ever was computed.

The CHAIRMAN. They lasted forever, did they not?

Mr. CHASE. No; they had to be sharpened again and again and again, taking the shoes off. They remained sharp no longer than ours.

The CHAIRMAN. What is the matter with these things? Do they unscrew and come out?

Mr. CHASE. They unscrew; certainly; but they never drop out when in use. When worn-out, they are removed by unscrewing, and new ones are screwed in.

The CHAIRMAN. Well, I guess it is not an improvement on the old-fashioned ones. I guess that is what is the matter with them.

Mr. CHASE. There is one other point to which I wish to call your particular attention. The granting of our request will in no way——

Mr. CLARK. I want to ask you one question which it seems to me ought to settle this whole business. Do you think there is a man or a farmer on earth that is a big enough fool to buy these things when he has to change them every fourth day?

Mr. CHASE. There are probably between forty and fifty millions of them sold in this country annually.

Mr. CLARK. I would not have them if you gave them away.

Mr. CHASE. They go all over the country, from one portion of the country to the other.

Now, gentlemen the granting of our request, which is that we have at least $10 a thousand duty, will not in any way affect the price to the consumer. All that we want is to have the present conditions maintained, so that we can maintain our present prices, which are substantially $26 a thousand. These calks are sold to the horse owner in boxes of fifty or in sets of sixteen. The price usually includes the services performed by the horseshoer at the time they are sold; and the tariff on each calk would be so small that it would not in any way figure in the ultimate price.

For instance, these calks that are now being sold at $15 a thousand to the horseshoer are sold to the horse owner at identically the same price as the calks which we put out at $26 a thousand. It is simply a case of life and death between the American manufacturer and the German manufacturer.

Mr. HILL. As I understand, you are going to file a brief showing that the duty you ask is nothing more nor less than the difference in the cost of manufacture between Germany and the United States?

Mr. CHASE. Exactly; it is not quite so much. We prefer to have competition here, if we can get it, in order to develop the business. We need it. There should be 50 per cent of the horses in the snow belt of the United States shod with these calks.

Mr. HILL. You have filed a brief?

Mr. CHASE. We will prepare and file a brief.

The CHAIRMAN. You want to file a brief?

Mr. CHASE. That is all I have to say.

Digitized by Google

WARREN D. CHASE, GENERAL MANAGER OF THE STERLING MANUFACTURING COMPANY, OF HARTFORD, CONN., FILES SUPPLEMENTAL BRIEF ON HORSESHOE CALKS.

HARTFORD, CONN., *December 3, 1908.*

WAYS AND MEANS COMMITTEE,
House of Representatives, Washington, D. C.

GENTLEMEN: I have just received copy of the tariff hearings at the evening session of Wednesday, November 25, at which time I appeared on behalf of the detachable calk manufacturers of the country, to ask for the imposition of a specific duty upon our product sufficient to nearly equalize the difference between the cost of the imported calks and the cost of the domestic.

At the time of the hearing several questions were asked which I did not take seriously because I did not realize at the time that they were seriously asked, and I now wish to make clear several things connected with the use of detachable calks.

The fact that we are in business, employing a great many hands, and turning out a product worth over a million dollars a year, seemed to me to establish the fact that we were producing something of importance to commerce and of utility to the consumer.

The utility of detachable calks, or their continued use, is not problematical. In Europe they have been used from fifty to eighty years.

The type there is, of course, different, owing to the fact that the roads are nearly all hard, and a self-sharpening calk is not required; but a detachable calk of all steel is and has been used there for exactly the same reasons and for the same purposes as our steel center calks are now being made and used in this country. The European cavalry, and particularly the Russian and German cavalry, are always shod with detachable calks, and I think that the calks have been more or less used in this country as well. We have not sold any to the Government, but the Neverslip Manufacturing Company, who has prepared the brief to be filed, has, I understand, made sales from time to time for use in the army.

A great advantage in the use of these calks is that a horse can always be kept sharp shod. The old-fashioned calks are oblong pieces of heavy steel, which have to be heated to a forging heat in a horseshoer's shop and then hammered down to a sharp edge. Such a sharp-shod horse under ordinary conditions of icy going and frozen ground would not remain really sharp more than a day, and in a couple of days the effect of the sharpening of the horse would be largely gone. Under such conditions the horse owner would permit his horse to continue dull until icy conditions again made it necessary to sharpen the shoes. At such times horseshoers' shops would be filled with horses of other owners, and it was a common experience in all parts of the country that when sharp shoeing was most needed it would take anywhere from two hours to half a day to get the work done. Even if attention could be given immediately considerable time would elapse in doing the work. The shoes would have to be removed from the feet of the horse, heated in a blacksmith's forge to a forging heat, then hammered to the necessary sharpness, then heated again for hardening, and finally nailed again upon the feet of the

Digitized by Google

horse. With the modern detachable calks after a set of shoes with the necessary tapped holes has been placed upon the horse at the beginning of the winter no further attention from the horseshoer is necessary in order to keep the horse shod. The calks always wear sharp, as the exterior wears away first, before the hard center—and when one set has been worn down, the calks can be instantly removed by the use of a wrench, and a new set can be quickly screwed in.

One set of shoes for the use of these calks will last all winter, and sometimes for two seasons.

In giving the average life of these detachable calks as four days I did not go into details, because I turned from one question to another. If these calks were worn in the summer time upon bare, unfrozen ground they would last a great deal longer. For instance, I had a set tested during the month of May in this year. They were used every day, and they lasted during the entire month and were still sharp then. In the winter time, if the ground is covered with soft snow, they will, of course, wear for an indefinite period. Of course they are most needed when there is ice upon the ground, and under such conditions there is usually as much bare ground as there is ice—in other words, the ice is in spots. When the ground is frozen, it is like adamant, and the effect upon the calks to use them upon frozen ground is practically the same as putting them against a wheel of emery or corundum. In portions of the country where the soil is made up almost entirely of silt the life, even during such conditions, would of course be longer. If the ground is entirely bare and frozen, a set of these calks probably would not last over two days, and old-fashioned calks would not remain sharp for so long a time.

In comparing these calks with the old-fashioned kind, it is well to remember that the bearing surface of one of these calks is not over a hundredth part of the bearing surface of the old-fashioned, big, clumsy bars, which were called "calks."

These calks occupy very little space, and the wearing surface, which is, of course, the small core in the center, is still smaller, as it necessarily has to be in order that the exterior may be soft, so as to wear away more rapidly than the center.

In this part of the country the cost of keeping a horse sharp with detachable calks is about the same as the cost of keeping one sharp in the old-fashioned way. In some parts of the country the cost is a little higher.

Wherever these calks have been introduced they have come to stay, and they are highly prized by horse owners. They form an important part of the winter business of heavy hardware or iron jobbers, in spite of the fact that the consumption of these calks is only about 3 per cent of a total possible consumption. In Europe, where it is supposed that something like 500,000,000 calks a year are used, it is estimated that over 50 per cent of the horses are shod with detachable calks.

Again let me say that the detachable calks which they use there upon their hard roads are not the type which we use here, and that our detachable calk has been developed as a result of the conditions prevailing in this country. They were never made in Europe until last year.

Digitized by Google

In reading over my statement I have noticed particularly a question by the chairman, which reads as follows: "What is the matter with these things? Do they unscrew and come out?" My answer to that was: "They unscrew. Certainly." The chairman then stated that they were not an improvement on the old-fashioned one. It is apparent to me now that in asking this question he desired to know whether the calks unscrew while they are in use and fall from the shoe. I thought at the time that he referred to the manner in which they are placed in the shoe and removed. They do not unscrew while they are in use and fall out. On the contrary, they have a tendency to become tighter. The threads are all made with a taper, so that they are perfectly tight when inserted. Each succeeding calk is screwed in a slight distance further than the preceding one, and in this way all looseness is prevented.

If there is a member of the committee who has ever used these calks, then he will understand what they are and know their value. If there is not, then it should be very easy to get this information from someone who does use the calks—if such information is desired.

It is true that the horseshoers have always been prejudiced against the use of these calks, and the ground of their prejudice has not been concealed. In fact, it has often been printed in efforts to prevent the handling of these calks by shoers. It is feared that the advantages in the use of these detachable calks will seriously interfere and do away with a large part of the business of horseshoers. This, of course, is not true, and we have been meeting this prejudice for some time, showing that the horseshoer is the natural handler of these goods, and that the profit in handling them goes to him instead of to a merchant of some other kind. This prejudice is now passing away.

This letter is quite lengthy, but I felt that it was called for by apparent misapprehensions. The situation is quite serious from the standpoint of the manufacturers. We need a duty of at least $10 a thousand if we are to continue in business. Of course, if it were true that calks had not been used to advantage, then no one could have any objection to agreeing to such a tariff as we ask, but our claim is that the business is a large and important one, and that the product is of great value to horse owners, but that, at the same time, the granting of our request will not injure or increase the retail price to the consumer of these goods.

There is one more question which has not been asked, but which I will answer. When there is neither snow nor ice upon the ground the calks can be removed from the shoes and the holes can be filled with screw plugs, which will not wear; so in this way it is not necessary to continue the use of the calks during an entire winter, even if the horse has been shod with shoes that have been drilled and tapped.

If any more information is desired, I shall be very glad to furnish it.

Very truly, yours,

WARREN D. CHASE,
General Manager.

Digitized by Google

THE H-CALK COMPANY, NEW YORK CITY, ASKS FOR LOWER RATE OF DUTY ON HORSESHOE CALKS.

NEW YORK CITY, *December 11, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: We are engaged in the importation of horseshoe calks, for which there is no specific provision in the tariff act of 1897, and which have been assessed with duty under the general provision for manufactures of metal in paragraph 193, Schedule C, at the rate of 45 per cent ad valorem, and we desire to submit for the consideration of your committee certain statements of fact and reasons which we believe will convince you that these articles are entitled to a lower rate of duty than that under which they are at present assessed.

On Wednesday, November 25, 1908, Mr. Warren R. Chase, representing the Sterling Manufacturing Company, of Hartford, Conn., appeared before your committee and made application for an increase in the rate of duty covering these goods in the tariff act now in the course of preparation. There are certain statements made by Mr. Chase to which we wish to take exception, as we deem them inaccurate, to say the least.

On that date Mr. Chase is reported as saying that—

> At the present time there are four different manufacturers in the United States, having an invested capital of about one million and a quarter dollars and employing about 400 hands. Their annual product is from about $1,000,000 to $1,200,000.

We have ascertained from reliable sources that the capital invested by the Neverslip Manufacturing Company, of New Brunswick, N. J.; the Williams Drop Forging Company, of Scranton, Pa.; the Sterling Manufacturing Company, of Hartford, Conn., and the American Calk Company, of Detroit, Mich., which concerns manufacture practically all of the horseshoe calks produced in this country, is not more than $350,000 in the aggregate, and their total output, based upon the selling price to the jobbers, is not more than $500,000 per annum.

Mr. Chase has stated that his selling price is $26 per thousand, whereas we know positively that he has sold during the years of 1907 and 1908 all his product to the H and Rowe Calk Company of New York and the H and Rowe Calk Company of Hartford, Conn., on the basis of from $11 to $13.50 per thousand for the half-inch calks, which are the average size of calk and are the size to which he refers throughout his argument. He states that during the last year (presumably 1907) there were from twenty to twenty-five thousand dollars in value imported. For the further information of the committee we desire to state that within the past three years horseshoe calks of the value of $52,000 have been imported, as follows: Maldonado & Co., H-Calk Company, and H and Rowe Calk Company, $43,000; Neverslip Manufacturing Company, $7,500, and others less than $1,500. Of this amount, approximately $8,000 have been exported to Canada, and there are $6,000 worth still in bonded warehouse, leaving a balance of, say, $38,000 foreign product consumed in this country.

The witness takes no account of the fact that of all the importations only 23 per cent are what are known as "steel-center" calks, which are the same design as those manufactured in this country, and that the balance, namely, 77 per cent, of the importations are what are

Digitized by Google

known as "H" calks, so called because the sharpened end which prevents the horse from slipping is in the form of a letter H, and which have never been made in the United States, and therefore can not be said to come in competition with the domestic product.

The first steel-center calks were imported in 1907 and were made especially for the Sterling Manufacturing Company according to samples furnished by them, and they agreed to purchase 1,000,000 calks in 1907 and 2,000,000 calks in 1908 at a duty-paid price landed in New York of $11.50 per thousand, and these are the calks which the witness refers to on page 1971 as being offered at $15 per thousand throughout the country. The Sterling Manufacturing Company rejected these calks on the ground that they did not accord with the specifications, to wit, to be in every way up to the quality of the sample of domestic calks submitted to the German manufacturers when the order was placed, and we can draw no other conclusion from their refusal to accept delivery than that they could manufacture the same in this country of an equal quality at considerably less than the equivalent of the duty-paid price of $11.50 per thousand.

The horseshoe-calk business in this country is practically controlled by the Neverslip Manufacturing Company, who produce approximately 85 per cent of the domestic product and who actually fix the selling price to jobbers and consumers, and who, we understand, are now negotiating with the Sterling Manufacturing Company to take over their business.

The consumption of the imported article during the past three years, outside of those exported to Canada, has been approximately three million calks, and if this be compared with the consumption reported by the Sterling Manufacturing Company of forty to fifty million calks per annum, it will be seen that the domestic interests already control 98 per cent of the market in this country for this merchandise. If we take the statement of Mr. Chase, that about twenty to twenty-five thousand dollars was imported last year, and figuring on the one-half-inch calk at a value of, say, $11.50 per thousand, which would be equivalent to two million calks, and take also his statement that forty to fifty millions are sold in this country annually, it will be seen that from his own figures the domestic interests have control of approximately 95 per cent of the consumption of this country.

COST OF PRODUCTION, COMPENSATORY DUTIES.

Mr. Chase states that the one-half-inch calks are imported at a valuation of $5.37 per thousand, which is substantially correct for the steel-center calks, whereas the H calk is invoiced at $6.71 per thousand. If we add the duty of 45 per cent ad valorem and 8 per cent for freight, insurance, and other expenses, the landed cost is, say, $8.22 per thousand for the steel-center calks and $10.27 for the H calks, and we have no hesitancy in stating that we believe this to be more than the actual cost of production in this country of a like article unless there is wasteful extravagance in the administration of the mill producing such goods, for the reason that this product is turned out entirely by machine work; and we think the time has gone by when it can be said that skilled American workmen operating such machines can not produce a greater quantity in a given time than the

Digitized by Google

foreigners who manufacture the imported article, and we insist that the rate of wages paid and the slight difference in the cost of materials is more than covered by the additional cost of duty and expenses of shipping to this country.

It is further urged that in view of the representations heretofore made to your committee, it is confidently expected that the rates of duty on the materials which enter into the manufacture of these goods will be materially lowered, and it is therefore submitted that with the additional benefit accruing to the domestic manufacturer, because of the lessened cost of his materials, that the present rate of duty would more than compensate for the difference in the cost of production. It may be added that if the Sterling Manufacturing Company's cost of production seems comparatively high, it is due to the very small quantity produced by them in 1907 and 1908, say, one and one-half million calks, valued at not more than $20,000, whereas a plant valued at $10,000 is capable of turning out five to six million calks per annum, which valued on the same basis, would be, say, $75,000. The raw material entering into the manufacture is rolled steel bars, which are worth about 1 cent per pound more in the United States than in Germany, which is equivalent approximately to $1 per thousand for half-inch steel center calks, and the cost of labor in Germany for the same article is 2.12 marks, equivalent to 50 cents per thousand, which is less than 10 per cent of the invoice price of $5.37, and with a mill running at full capacity there is no question but that they can be manufactured within 10 to 15 per cent difference in the labor cost here and abroad.

SUGGESTED CHANGES IN LEGISLATION.

Mr. Chase also requests that you grant them a duty of $10 per thousand, and states that it will not in any way affect the price to the consumer for the reason that all they want is to maintain their present prices, namely, $26 per thousand.

We must refrain from too extended comment upon such a request, for it seems clear that if it is necessary for an American manufacturer to have a protective duty of $10 per thousand on an article landed in New York at $5.37 per thousand, exclusive of duty, or equivalent to almost 200 per cent ad valorem, such a manufacturer does not deserve any consideration. It may further be noted that these calks are made in different sizes, and that the levying of the same amount of duty on all calks regardless of size and cost would be inequitable, and it is therefore suggested that the duty should be on the basis of so many cents per pound.

We earnestly advocate specific duties wherever your committee feels justified in granting them, for the reason that ad valorem duties are the source of constant litigation, and importers and government officials alike are harassed continually by such concerns as the Neverslip Manufacturing Company, who were indirectly responsible for the agitation as to the values within the past two years, and which litigation has finally terminated in having the invoice values of our goods sustained. With 85 per cent of the consumption produced by one concern in this country, and the next largest domestic competitor affiliated with this manufacturer, the only check on heavy advances in price to the consumer is foreign competition, and we may add that

Digitized by Google

any rate of duty higher than the present rate would be prohibitive, and, in addition to placing a large tax on the consumer, would deprive the Treasury of much needed revenue.

The reasons for the comparatively small importations of this article heretofore have been as follows: First, the selling price is exceedingly high because of the necessity of extensive advertisement, so that it will reach the consumer's attention; second, the ad valorem duties have proven a serious handicap in preventing free development of the business due to the agitation as to values above referred to; third, the rate of duty at present applicable—namely, 45 per cent ad valorem—is greatly in excess of a compensatory duty.

We confidently assert that if your committee will grant us a reasonable specific duty that the farmers and truckmen throughout the country can be educated to realize the benefit accruing from the use of this article in place of the old-fashioned stud or nonslipping device now used on a great majority of horseshoes, and that the consumer will benefit by a lower price and the Treasury be enriched by much larger revenue while the consumption is being gradually developed to where it belongs.

An equitable specific duty would be, say, 2½ cents per pound, which would be sufficient to offset any difference in the cost of production in Germany and this country, and which would therefore allow both the domestic and importing interests a fair opportunity to develop this business.

NEW PARAGRAPH SUGGESTED.

Horseshoe calks made of iron or steel, two and one-half cents per pound.

If your committee is not disposed to specifically enumerate horseshoe calks in the new tariff act, we submit that the foregoing statements as to the difference in the cost of production, because of lower rates of duty that may be granted on the imported material, apply with equal force to all manufactures of metal, and we therefore suggest that if these articles are to be classified under such a general provision that said provision should be at a rate of not more than 25 per cent ad valorem.

Respectfully submitted.

THE H-CALK COMPANY.

STERLING MANUFACTURING CO., HARTFORD, CONN., SUBMITS SUPPLEMENTAL BRIEF RELATIVE TO HORSESHOE CALKS.

HARTFORD, CONN., *January 5, 1909.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The attention of the Sterling Manufacturing Company has just been called by The Iron Age of December 31, 1908, to a statement filed with your committee by the H-Calk Company with reference to the previous oral statement of Warren D. Chase, the Sterling Manufacturing Company's general manager, on November 25, 1908.

Digitized by Google

This statement was largely of a personal nature, designed as an attack, and as it calls in question the truth of various statements made to your committee, it is strongly desired and urgently requested that this additional statement or brief be accepted and placed on file by your committee, in order that all the facts may be before you in making up the new tariff bill.

The gist of the statement of the H-Calk Company may be stated in two sentences:

1. That the capital invested in the manufacture of detachable calks in this country and the annual output of the manufacturers are smaller than was stated by the Sterling Manufacturing Company.

2. That the statement of selling prices upon American manufactured calks was untrue.

To begin with, it should be noted, by reference to the oral testimony of Mr. Chase, which appears in the report of tariff hearings for the evening session of Wednesday, November 25, 1908, that this appearance was not for his own company alone, but for all the American manufacturers of detachable calks, and that he spoke for them as a whole as well as for his own company.

His original estimate of the amount of capital invested on account of the manufacture of detachable calks in this country was $1,000,000. There are no compiled statistics showing definitely what has been invested, but this estimate was later revised to about $1,250,000, which is the estimate of the Neverslip Manufacturing Company, the largest producer of detachable calks. They state that they have substantially $1,000,000 invested in their own business, and this would leave about a quarter of a million to be divided among those interested in the other three brands of detachable calks on the market.

The value of the annual output of domestic detachable calks is based upon the selling prices to horseshoers, which was the basis employed throughout by the Sterling Manufacturing Company in its statements to the committee. Using these values as a basis, as all manufacturers do in figuring their costs and discounts to jobbers, the value of the annual output is as stated, whereas the value given by the H-Calk Company, based upon the selling prices to jobbers, is very much too low, if the estimate of the total output as between 40,000,000 and 50,000,000 is correct.

But the most important charge is in connection with the American selling prices. The essence of this charge in the H-Calk Company's statement reads as follows:

> We know positively that he (Mr. Chase) has sold during the years 1907–8 all his production to the H. & Rowe Calk Company, of New York, and the H. & Rowe Calk Company, of Hartford, Conn., on the basis of from $11 to $13.50 per thousand for the one-half inch calks, which are the average size of calks.

The H. & Rowe Company referred to is simply a selling organization, which markets the Sterling Manufacturing Company's product for it by the same methods that the other manufacturers in this country use in marketing their own products. In the case of the other manufacturers, they divide their manufacturing and selling expenses into different ledger accounts upon the same books. In the case of the Sterling Manufacturing Company the marketing is done by a separate corporation, with a separate set of books, and the calks are invoiced to this separate corporation at $13.50 a thousand for the

Digitized by Google

average size of calk—namely, the one-half inch. This selling company has no plant of its own; its office is in the office of the Sterling Manufacturing Company, and the margin of $6 between $13.50 and its quoted prices to the jobbers, $19.50, is entirely absorbed by the charges incident to the marketing of the goods. There has never been a cent of profit made by this selling company, and for all purposes of comparison with other manufacturers and other selling prices the two should be considered as a unit.

Moreover, the prices referred to in Mr. Chase's oral statement clearly appear as the prices to the horseshoer, and it is stated that such price of $26 a thousand includes the jobber's commission of 25 per cent. There is no foundation anywhere for any belief or assertion that the prices given were any other than prices to horseshoers, and they were absolutely correct. They were given for the purpose of comparison with the price at which the imported calks are sold and advertised to horseshoers, namely, $15 a thousand.

The statement of the H-Calk Company, however, could be of no value to the committee in a positive way, because it furnishes no information concerning the comparative costs of the domestic and imported calks. The cost of the imported one-half-inch calks to the importer (including the profit to the German manufacturer) of $5.37 is not disputed by the H-Calk Company. These figures were sworn to by the H-Calk Company as the cost, including profit, in its contest before the Board of General Appraisers at New York, and such figures were found correct by the board.

Taking this sworn statement of the importers as to foreign cost, and also their statement as to the price at which the Sterling Manufacturing Company invoices its goods to the sales organization, $13.50, which is admitted, we have the following result:

Comparative costs as shown by importers' own figures.

American calks, including profit to manufacturer	$13.50
German calks, including profit to manufacturer	5.37
Difference in cost in favor of German manufacturer	8.13
Deduct present 45 per cent duty on $5.37 under basket clause of Schedule C	$2.42
Advantage in favor of German manufacturer, even with the present duty paid	5.71
Tariff necessary to equalize costs of imported and domestic calks on importers' own statement (per thousand)	8.13

The cost of transporting these calks to the United States, we are informed, is only about 10 cents a thousand, and therefore is too small to consider for comparative costs.

The difference in the cost is principally in the item of labor entering into the manufacture, and into the cost of the supplies and sundry materials needed in the manufacture. The raw-material cost is not over 25 per cent of the total.

While the calks are made by machinery, as stated in answer to a question by the chairman, the process is not automatic, as he perhaps supposed. The material is handled in 7 different mechanical devices, and it takes one or more men to operate each one.

But this basis of comparison used by the importers is not a fair one, because none of the expenses of selling goods, getting trade, ad-

Digitized by Google

vertising, development of new territory, and general administrative expenses are included in the price of $13.50. It must be advanced to $19.50 to show the real cost to the manufacturer, which includes his profit of from 12 to 15 per cent upon the selling price.

The only real basis of comparison is between the selling price—that is, to horseshoers—because, then, in each case all expenses of selling, marketing, advertising, and general administrative expenses are included in both figures. Such a comparison is:

Comparative prices in the United States of domestic and German calks.

Selling prices to horseshoers of United States calks	$26.00
Selling prices to horseshoers in United States of German imported calks	15.00
Difference in favor of German manufacturer	11.00
Add 45 per cent duty on $5.37, which is included at present in selling price of German calks	2.42
Difference in favor of German manufacturer, if present tariff is not considered—that is, on free-trade basis	13.42
Tariff necessary to equalize imported and domestic calks	13.42
Revenue tariff asked for to put German and American manufacturers on a competitive basis (per thousand)	10.00

When such figures stare one in the face is it strange that the domestic manufacturers ask for a sufficient duty after importations of less than two years, although the imported calks are yet only a small percentage of the total consumption?

The effect upon trade and business of such a cutthroat competition is just as demoralizing as if 50 per cent of the calks consumed were foreign ones, and with such an advantage in favor of the German manufacturer it takes no imagination to see the time when they will have all the market.

If the importation had begun ten years ago, there would now be no American manufacturers of detachable calks to appear before your committee. The revision of the tariff has come at a very opportune time for them.

Detachable calks other than the steel-center ones find very little market in this country at the present time, but the demand for such as are used was met by the domestic manufacturers until the importation of the so-called "H calks" began, three years ago. These were not referred to in the oral statement made on behalf of the Sterling Manufacturing Company before the committee, but the same facts and figures substantially apply to such calks as well.

Referring to various other allegations in the statement of the H-Calk Company—

1. The selling prices of calks are not fixed by the Neverslip Manufacturing Company alone or in combination, or by any other manufacturer alone or in combination. Prices to the consumer, the horse owner, vary in different parts of the country, although they are the same upon all calks, even upon those sold by the importers to the horseshoer at $15 a thousand. This latter fact is due to the small number, 16 or 50, sold at one time to the consumer.

The competition between manufacturers comes in the sales to the jobbers, and it is a very live competition, as any jobber of iron or heavy hardware will affirm.

Digitized by Google

2. Neither the Neverslip Manufacturing Company nor anyone else is negotiating to take over the Sterling Manufacturing Company, and there never have been any such negotiations, nor any rumors or reports of anything of the kind. The statement is entirely gratuitous and false.

3. Of course it is quite apparent that the venomous statement of the H-Calk Company was made in the hope of discrediting this company, rather than with any expectation of securing a reduction in the tariff; but, fortunately, the motive for the attack appears in the statement itself, i. e., that about 200,000 German calks, which had been bought as part of several millions by the Sterling Manufacturing Company in order to prevent demoralization in the trade, were rejected by the Sterling Manufacturing Company.

THE STERLING MANUFACTURING COMPANY,
By WARREN D. CHASE, *General Manager.*

THE NEVERSLIP MANUFACTURING CO., NEW BRUNSWICK, N. J., ASKS ADJUSTMENT OF DUTIES ON HORSESHOE CALKS.

NEW BRUNSWICK, N. J., *December 4, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: We ask that in the coming revision of the tariff you insert in paragraph 161, or elsewhere, the following provision:

> Horseshoe calks and parts thereof, finished or unfinished, of iron or steel, or iron and steel, ten dollars per thousand.

We have practically no protection at the present time, and our business, which has been arduously built up, is threatened with immediate extinction by foreign competition that has been unknown until within the past year.

It is true that Mr. Carnegie believes that most duties on steel can be taken off, but even he was careful and candid enough to say, in his much quoted article, that—

> It may probably be found that there exists the small manufacturer of some specialty in steel which still needs a measure of protection. The writer hopes, if such there be, the committee will give patient attention to such cases. It is better to err on the side of giving these too much, rather than too little, support. Every enterprise of this kind should be fostered.

We think we come right within the lines he has laid down.

We are interested in the manufacture in this country (with works at New Brunswick, N. J., and Catasauqua, Pa.) of adjustable horseshoe calks. These are of several sizes, but the average and most usual size is the half-inch calk, and to save confusion we shall speak particularly of that, since the facts as to the other sizes are substantially the same.

These adjustable horseshoe calks have a center of hard steel with an exterior of soft steel, so that when in use the inner part does not wear down so fast as the outer part, and they thus keep sharp as long as they are used on surfaces where they can penetrate at all. The calks are provided with a threaded shank and are screwed into the bottom of the horseshoe, four calks to the shoe. They are easily inserted and removed by the blacksmith, and are in no danger of

Digitized by Google

accidentally unscrewing and falling out. The old-fashioned horseshoe calk will wear down on a hard surface in a day, at least to losing its sharpness, whereas our adjustable horseshoe calks will last four or five days under similar circumstances. To renew the old-fashioned calk it is necessary to remove the shoe, weld on the calk, and replace the shoe, whereas our adjustable horseshoe calks can be renewed by the mere unscrewing of the stubs of the worn-out ones and the insertion of new ones. Thus time is saved in horseshoeing operations and the wear is longer.

Calks of this character have been made in this country for twenty-five years, but there was no development of the industry until about the time of the passage of the present tariff act. In 1897 the annual sales were only about $53,000, while during the last season they have aggregated about $1,250,000. There are four companies interested in the manufacture of adjustable horseshoe calks in this country. There is no trust, and there is no selling agreement between these companies, but, on the contrary, there is keen competition.

As yet not over 3 per cent of the horses in the snow belt of the country are shod with these calks, but since we commenced to develop the business in earnest a great deal of money has been spent in advertising and introducing these calks to the knowledge of horse owners. A large field awaits the further development of the business; but, as already stated, a considerable business has already been achieved. If foreign competition is not checked, American capital and labor will be absolutely deprived of the undeveloped field and will absolutely lose the ground already conquered. If our request is not granted, it will simply mean that the German manufacturers will come in here and obtain the benefits of our energy and advertising.

Horseshoe calks are not mentioned by name in the present tariff act. They seem to fall under the basket clause of the metal schedule (par. 193) at a duty of 45 per cent ad valorem, but the importers have claimed that they are dutiable at pound rates under other paragraphs which would cut the duty of 45 per cent in half. The Board of Appraisers has decided adversely to their claim (T. D. 27542; G. A. 6412), but the case was appealed to court, which, of course, may sustain the importers. It is therefore highly desirable that horseshoe calks be mentioned specifically in the act. The case above referred to covers another kind of calk from the one we are manufacturing, but if the lower rate of duty should prevail on those it would also prevail on ours.

No adjustable calks such as ours were ever imported, so far as we can ascertain, until within the last year. Then the Germans awoke to the fact that we had created a market which they might take advantage of. They sent over several millions of calks at such low prices that even with a 45 per cent duty on these prices they could sell them in this market at figures absolutely impossible for us to compete with. They are offering these calks on this market and have sold many of them to horseshoers at $15 a thousand, whereas our price for the same calks is $26 a thousand, and this includes only a reasonable profit to us and is a competitive price between the four companies manufacturing in this country. We suggest, therefore, that a duty of $10 a thousand, while it will not be prohibitive on the foreign calks and will not entirely equalize the difference in selling price, will give us at least a fighting chance of retaining command of the territory which we have developed, and possibly of extending it.

Digitized by Google

It undoubtedly costs more to manufacture these calks in this country than abroad. Our material is steel wire, which we buy from the American Steel and Wire Company. This material enjoys under the tariff a substantial protection. Our ordinary labor is paid $1.75 a day, and we ourselves employ 400 hands. Interest rates are higher in this country, which fact has a substantial bearing on this case because the season for the sale of these goods embraces only about five weeks in winter and the machinery to make the calks has to lie idle a good part of the year. We have also had to create our market by extensive advertising, and it does not seem right that now the Germans should come in and seize the fruits of our cultivation.

Material is cheaper in Germany, and, as is well known, corresponding labor there would not be paid more than 40 cents a day. Of course it is impossible to get exact figures of the foreign cost of manufacture, but the ones which were accepted by the Board of Appraisers in a recent reappraisement case showed that the value of the foreign goods was far below the price at which we can make them here with the most careful attention to detail and improved machinery.

What we are asking is not so much an increase in the duty as an adjustment of the duty on a fair basis of value, and it seems to us that this can only be accomplished by naming calks in the tariff and putting a specific duty upon them.

Such a duty would not result in any increase of price to the consumer, because the horseshoer sells these calks to him in sets of 16 or in boxes of 50, and he would sell them at the same price whether they cost him a trifle more or less. A slight difference in the price per thousand amounts to little when divided among 16 calks or 50 calks. Even now the different sizes which are sold at different prices to the horseshoer reach the consumer at identically the same price. Moreover, we are not expecting to put up the price of these goods, but only wish to maintain it approximately at the point where it is now, because only if so maintained will our business pay and our efforts be rewarded.

There will be no loss worth mentioning which will result to the revenue if our request is granted, because these calks have only been imported during this last year, and the duty upon those imported would be only about $7,000. There were enough of these, however, to demonstrate that it was the opening of a competition ruinous to us.

The duty on calks would have to be $15 per thousand to prohibit importations. It would need to be $11 to merely equalize the differences between foreign and American prices, and we believe that the importers can better afford to lower their prices than we can to lower ours. We submit, therefore, that the minimum protection needed for our purposes is $10 per thousand.

We are authorized to say that the other three companies manufacturing these adjustable horseshoe calks in the United States join us in our request, to wit, Sterling Manufacturing Company, Hartford, Conn.; Williams Calk Company, Scranton, Pa.; American Calk Company, Detroit, Mich.

We ask the careful attention of your committee to our case

Respectfully submitted.

THE NEVERSLIP MANUFACTURING CO.,
WM. J. MCCURDY, *Secretary*.

Digitized by Google

IRON RIMS AND WOOD SOLES.

[Paragraphs 193 and 208.]

WILLIAM BROWN'S SONS, LAUREL SPRINGS, N. J., URGE LOWER RATE OF DUTY FOR IRON RIMS AND WOOD SOLES.

LAUREL SPRINGS, N. J., *November 14, 1908.*

Mr. PAYNE,
Chairman Ways and Means Committee, Washington, D. C.

DEAR SIR: As importers of raw material for use in the make-up of our shoes we take a great interest in regard to tariff revision. Now, we import about $1,000 worth of wood soles and the same amount in iron rims, that are put on the edges of soles, a year.

On the wood soles we pay 35 per cent duty, and on the iron rims 45 per cent. Neither of these goods are made in this country, so you see it does not protect American manufacturers.

The irons are not specially mentioned; therefore come under the head of "Manufactured iron," and the wood soles under the head of "Manufactured wood." Hardware is less duty; so are horseshoes, and we think that if clog irons were rated the same as horseshoes, which they are similar to, we could sell cheaper and do a much larger business.

These shoes are worn by miners, tin-plate workers, etc., and any reduction of rate would be a benefit to the wearers.

If you will kindly have clog soles and clog irons mentioned in the new tariff revision, we think that a lower rate could be procured.

Trusting that same will have your attention, and thanking you for same, we are,

Very respectfully, WILLIAM BROWN'S SONS.

KNITTING MACHINES.

[Paragraph 193.]

THE TEXTILE MACHINE WORKS, READING, PA., WISHES HIGHER RATE OF DUTY ON KNITTING MACHINES.

READING, PA., *December 14, 1908.*

COMMITTEE ON WAYS AND MEANS,
House of Representatives, Washington, D. C.

GENTLEMEN: Permit us to call your attention to an article manufactured by us which does not, in our opinion, in the tariff act of 1897, receive the protection that it is entitled to. We refer to knitting machines for making "full-fashioned" hosiery. We inclose herewith a small cut illustrating this machine and beg to submit for your consideration the following facts:

Machinery of this kind is now dutiable, according to paragraph 193, Schedule C, "Articles or wares not specially provided for in this act, composed wholly or in part of iron, steel, lead, copper, nickel, pewter, zinc, gold, silver, platinum, aluminum, or other metal, and whether partly or wholly manufactured, 45 per cent ad valorem."

We have been manufacturing machinery of this class for the past eight years, but have found it extremely difficult to compete in price

Digitized by Google

with imported machines, coming principally from Germany. This is due entirely to the fact that our labor is from 100 to 200 per cent more expensive than the same class of labor is in Germany.

The market value of these machines in this country is to-day about $2,500, and the comparative cost of the same is as follows:

	Germany.	United States.
Material	$400	$500
Labor	650	1,500
Cooperative expenses	100	200
	1,150	2,200

The above schedule is as nearly correct as our knowledge of the conditions of this industry, both here and in Germany, allows us to figure the costs. We have a number of workmen in our employ who formerly worked in the same trade in Germany, and the rate of wages which they command here varies from $15 to $25 per week, whereas for the same work the German workman of the same efficiency receives $6 to $12 per week.

On these highly complicated machines, composed of 45,860 parts, the cost of labor is two-thirds of the total cost of the machines, and it is plain to be seen that a duty of 45 per cent is not sufficient to cover the difference between the labor cost here and abroad, plus an adequate profit for the capital employed.

The weight of these machines as we build them is approximately 8,000 pounds, while most of the German machines weigh only 6,000 to 6,500 pounds. The price at which these machines are generally invoiced by the German manufacturers is approximately $1,500. They are generally shipped to a representative in this country who, in turn, sells them to the manufacturers of hosiery. The cost to the agent of the foreign builder is approximately $2,150, or less than our cost.

Some of the items used in the construction of these machines, such as knitting-machine needles, have to be imported by us, and the duty we have to pay on these articles, according to paragraph 165, is $1 per thousand and 25 per cent ad valorem. The German price for these needles is 10 marks per thousand, which brings the duty we have to pay to 65 per cent.

The manufacturer using our machinery for making hosiery enjoys at the present time a protection of approximately 65 per cent on his product, which is, in our opinion, required to give him the proper amount of protection. The proportion that the cost of labor bears to the market price of the finished article is not any higher, however, than it is for the machines on which the hosiery is made, and the difference in the cost of production on account of higher wages paid is just as much on our machines as it is on the product they produce.

We would respectfully ask that in framing the new tariff bill our case be given due consideration, and that a special item be included in the metal schedule providing for a duty on "full-fashioned" knitting machines of 10 cents per pound, but that in no case this duty shall be less than 50 per cent ad valorem.

Digitized by Google

We will be very glad to have our representative call upon you and submit to you such further proofs or give such testimony as in your judgment may be desired to support the position advocated above.

Yours, very truly,

TEXTILE MACHINE WORKS,
By FERDINAND THUN,
Secretary and Treasurer.

MACHINERY.

[Paragraph 193.]

HON. R. WAYNE PARKER, M. C., SUBMITS LETTER OF THE BINSSE MACHINE CO., NEWARK, N. J., RELATIVE TO MACHINERY.

NEWARK, N. J., *December 9, 1908.*

Hon. R. WAYNE PARKER, M. C.,
Washington, D. C.

DEAR SIR: Referring to the proposed tariff revision, I urge as a matter of great importance a reduction from the present tariff to 25 per cent, or perhaps even 20 per cent on machinery, because:

First. The existing duty is unnecessarily high, and one of 25 per cent would cover our needs amply.

Second. The 45 per cent duty, which far exceeds that of any other country, has worked great injury to our interests by provoking retaliatory duties; and further injury is in sight by additional increases in France and elsewhere.

The United States has always led in machinery products. In every branch of this industry American machinery is the standard throughout the world. The exceptions are so few that they merely emphasize the rule. Therefore, all we require is duty enough to offset the difference in the price of labor, and for this 25 per cent is ample.

The importance of the foreign trade may be estimated by the fact that it saved at least 75 per cent of our machinery manufacturers from bankruptcy during the panic period following the year 1893.

We could have a large part of the machinery trade of the world were it not for hostile tariffs.

Between 1893 and 1900 the United States sold machinery amounting to many millions to Europe. The merit of our product was quickly noticed in Germany where the machine-tool builders at once began to copy our designs and methods. This led to a great development in the German machine-tool trade. Germany now has the most energetic machinery houses in the world, covering every country with their salesmen and branch offices.

About 1901 the German machinery manufacturers petitioned for an increase of duties. This was granted, and to-day the German exports of machinery have grown to great importance, and they have taken from us business which should be ours. In Canada, which should be an excellent field for American industry, our export trade has been almost wiped out by a retaliatory duty.

A general increase of foreign tariffs to 25 per cent would destroy the export of American machinery to Europe as it has practically destroyed our Canadian trade. In keeping our tariff at 45 per cent we are giving our commercial opponents the strongest possible argu-

Digitized by Google

ment for a tariff against our products. We can not consistently appeal against a German or a French tariff when our own is about three times theirs.

It is possible that this proposed reduction may not please a very small minority (about 5 per cent) of our manufacturers of machinery, as it is understood by those who have given attention to the subject that the tariff of 45 per cent was created, not for the purpose of protecting American manufacturers in general, but with the intention of preventing the reimportation of American machinery by a very few large companies which, although they are seemingly competitors, are, in fact, banded together as to prices. By this arrangement and by means of the tariff they can and do exact a profit from our citizens of about 30 per cent over what they sell their goods for in competition in Europe. The tariff prevents their product sold in Europe from being reimported into the United States.

Anyone who will study carefully and without prejudice the United States customs requirements for the reimportation of American machinery will find the strongest evidence that this is so.

I advocate strongly a maximum and minimum rate, and also the appointment of a commission of experts to draw up a scientifically made tariff, one that will be a benefit to the consumer as well as the honest manufacturer.

Yours, very respectfully,

THE BINSSE MACHINE CO.,
HENRY P. BINSSE, *President.*

MARINE ENGINES.

[Paragraph 193.]

GORDON S. MORSE, OF DETROIT, MICH., ASKS FOR PROTECTIVE DUTY ON ENGINES IMPORTED INTO PHILIPPINE ISLANDS FROM GERMANY, FRANCE, AND ENGLAND.

FRIDAY, *December 4, 1908.*

Mr. MORSE. Mr. Chairman and gentlemen of the committee——

The CHAIRMAN. You want to talk on the tariff on goods going from the United States to the Philippine Islands?

Mr. MORSE. On one particular line of goods; yes, sir.

Mr. POU. Will you speak a little louder?

The CHAIRMAN. What is your line?

Mr. MORSE. Marine engines—gasoline marine engines.

Mr. POU. Will you give your name and your address?

Mr. MORSE. Gordon S. Morse, Detroit, Mich.

The CHAIRMAN. Proceed, Mr. Morse.

Mr. MORSE. Referring to the Philippine tariff revision law of 1905, page 40, section 243; page 40, section 267, and also page 10, section 10 A, I desire to say that I am the export sales manager of the Gray Motor Company, of Detroit, Mich., the largest manufacturers in the United States of a certain type of gasoline marine motor. I am also representing here a dozen or so of the other manufacturers of marine engines employing gasoline as fuel, all of which

Digitized by Google

companies are interested in selling their product in the Philippine Islands. Very briefly I wish to conduct your attention to the consideration of a very unfortunate phase of the Philippine situation concerning the present tariff arrangement and its effect upon our efforts to introduce the product of our shops into Philippine markets and the very distinct loss those living in the islands are suffering as a result of the operation of this tariff. Owing to the peculiar character of the islands there is no place under the American flag, from a geodetic standpoint, so perfectly adapted to the employment of the motor boats for commercial purposes, and being an archipelago all intercourse between the islands is accomplished by means of boats, and where the more rapidly distance is overcome and the more abundant available means for reducing time required in transportation results in more rapid progress and in more quickly establishing closer social and commercial relations.

As a factor in the bringing about of all this and facilitating the development of the natural resources of the territory, the power boat is bound to attract considerable attention in the future if given an opportunity to work out, as it has in other localities, its intended purpose.

The rivers reach into the heart of the richest portion of the islands, where agricultural and mineral possibilities are awaiting cultivation and development.

These rivers are shallow, prohibiting for more than a short distance the use of steamboats of even the smallest type, which, with their limited supply of fuel and little room for cargo, have never been used successfully for the purpose of moving their product from the fruit belts.

The present practice of using native boatmen is slow, and as the American idea obtains and American methods succeed in other departments, the man power must give way, as it has in Porto Rico, Cuba, and Mexico, to modern motor craft; there this means of navigation is employed by the fruit companies in bringing down to ports of shipping the products of the interior. Greater quantities are moved more expeditiously at an insignificant cost.

I am interested only in developing trade relations beyond the borders of the United States. It is my business to avail myself of the use of every source of information; to study the requirements and to supply the needs of new fields under development.

The CHAIRMAN. I want to say, Mr. Morse, that if this committee should take up the question of goods going to the Philippine Islands from the United States, they probably would follow the lines of the bill already reported in the last Congress, passed through the House by almost unanimous vote, or by a very large vote, making those goods free after the end of the ten years of the Spanish treaty—goods going from the United States into the islands, as well as goods coming this way. If we take up the subject at all, I presume the committee would not change their minds on that proposition, and if you would be content with filing your brief to be printed in the record, where it can be referred to, I do not think it is necessary to read it.

Mr. MORSE. What I am after is a protective tariff.

The CHAIRMAN. You want a protective tariff?

Digitized by Google

Mr. MORSE. Yes; on goods going into the Philippine Islands from Germany, France, and England.

The CHAIRMAN. Of course the subject of the tariff on goods going into the islands might be considered in the same connection. We will hear you on that if you want to read your brief, or you can print it, as you desire.

Mr. COCKRAN. Is this for the good of the Filipinos?

Mr. MORSE. Yes, sir.

Mr. COCKRAN. You want to put up the price of the commodities for them so as to increase their general comfort?

Mr. MORSE. Yes, sir; and to give them the benefit——

The CHAIRMAN. Proceed, and read your brief.

Mr. MORSE. I have investigated very carefully at long range conditions in the Philippine Islands, and I know positively that with the present tariff eliminated from the consideration, making it consistent for us to send our commercial representatives there, we could sell in the next few years several thousands of our motors to be used for the same commercial purposes for which they have been adopted in our contiguous territory.

The result of the introduction and use of motor boats capable of developing 8 or 10 miles an hour at little expense as compared with the native bateau now in use, the speed of which averages 2 to 3 miles per hour, is very apparent.

The ratio of actual business from inquiries received is 1 order from 57 inquiries.

The representative cities and towns from which we have had requests for information that would indicate on the part of the inquirer an interest and desire to apply the gasoline engine to his use numbered, in 1908, 26.

Now, these inquiries, which we call prospective business, cost us thousands of dollars, and we are prevented from enjoying remunerative returns in the way of a large volume of business through the action of the import duty on the gasoline marine engine, an article of common use.

The evidence we have in our current files leaves no doubt concerning the correctness of the foregoing statement. Three specimen paragraphs will serve to show how directly the matter may be traced:

First. As evidenced by the sales of the companies now in the field (referring to European builders), I believe there is a good opening for motors in this territory, but American-made engines have to pay the same duty as and compete with the cheaper-made motors of the European. This puts a black eye on the American motor.

Second. I am confident that once we get our motor started here there will be more to follow. The customs farce is the cause for my delaying. We have ideal waters for small craft the year around. The natives take great interest, and once the tariff obstacle is removed I look for brisk business.

Third. "I am anxious to place an order with you, but two things are against it." (This letter was written July 1, 1908.) "First, the prevailing hard times and the customs duties which we have to endure against importations from the United States." He goes on to state that it shall mean a great many orders from us if this tariff pressure may be in some way alleviated.

Digitized by Google

Thus you see we are facing a barrier in all our efforts to sell to the island trade. I have other specimens here which I will later incorporate more completely in the brief I intend to file.

To give you an idea to what extent the marine motor is a commercial proposition and how it has grown away from the original purpose for which it was intended—that of supplying power to pleasure boats—and branched out as has the automobile industry through commercial channels of its own making.

In Newfoundland the British Government has caused to be removed the tariff on gasoline engines in order to encourage their use in the fishing trade with very satisfactory results, for since their adoption more generally there has been a perceptible increase in the volume of fishing and in the number directly interested in the business.

In Scotland the fisheries people are largely taking to the motor boat.

In Alaska the salmon fisheries use gasoline motors almost exclusively, and so it is on both coasts of the United States in the fishing industries and in the oyster business. On our lakes and rivers the fisherman who has not a power plant installed in his boat is actually playing a losing game, for, dependent upon wind and weather, he often finds himself starting out as the power boatman is returning with his catch.

In Russia the Government is about to install an express system that will employ boats propelled by gasoline motors and for the purpose of dispensing with present larger steamboats they have found to be cumbersome in carrying out the idea of rapid water transportation.

This I submit as evidence to bear out my statement that the gasoline engine is a commercial engine and we, representing the manufacturing industries, should be allowed to participate in the profits on sales made in the Philippines.

We are not asking for a prohibitive duty, but we need an advantage that shall enable us to introduce our engines into the islands.

The present tariff of 15 per cent on marine engines, and 30 per cent on motor boats, the boats in whatever form, whether knocked down or set up, places us on the same plane with England, France, and Germany, countries where, owing to the lower rate at which labor is secured, this commodity is produced more cheaply, though at a sacrifice of efficiency. There is no means of knowing the number of this distinct type of engine that have been imported into the islands. No distinction has been made between the steam and gasoline feature, for in most cases consignments are entered as marine engines, very often merely as machinery.

The foreign idea in building finds expression in the heavy, complicated machine, in which very little improvement has been made for a number of years, while in the United States we have demonstrated that the lighter and more simple engine is capable of a higher degree of efficiency covering a greater period of time, and can be produced at a lower cost, and in order to keep in line with home competitors it is necessary to improve in some features from season to season.

Our foreign competitors can afford to send their representatives to the Philippines through their commercial relations developed in the Far East during the past one hundred years. It is undoubtedly the man on the ground who gets the business.

Digitized by Google

We can not compete with them by this means under existing tariff conditions. The American plan is to build and sell larger quantities at small profits, making the volume of increased business bear the profit, for it is well known in manufacturing that one hundred pieces may be produced at a lesser individual expense than one piece and that one thousand may be produced cheaper than one hundred.

We are willing to and capable of competing with the Philippine business in this line if the tariff on our engine is removed and a protective 25 per cent placed on engines of foreign manufacture.

Five years ago not more than one-half dozen builders were interested in the development of the type of motor known as "two cycle," of which type we are the largest builders to-day, and at present the publicity section of Power Boating, the representative organ published in the interest implied by its name, lists about 100 manufacturers and assemblers.

The experimental work of any of the more progressive of these companies would run into many thousands of dollars per year. We manufactured and sold 5,000 engines this year, and have the facilities for doubling this output if we can secure the demand for our goods. If we can sell 500 or 1,000 more engines each year and keep adding to this number it will soon make it possible for us to operate full force during the entire twelve months.

We employ in our busy season between 600 and 700 men, which in the dull season, when the demand ceases through winter weather prohibiting the use of boats here in the United States, we have to cut this force down to 150, which in connection with throwing out of employment so many wage-earners breaks into our organization at a tremendous expense and the one leak that may be stopped only by a continuous operation and by running full force throughout the entire year.

We are optimists and can see wonderful opportunities in the Philippines awaiting our developing processes, and as soon as a more happy tariff arrangement is found the process with us shall have begun.

Mr. POU. I would like to ask you a question. Are you selling any motor boats in the Philippine Islands now?

Mr. MORSE. No, sir.

Mr. POU. Not at all?

Mr. MORSE. We can not.

Mr. POU. You are now selling to the Filipinos under the same conditions that Germany and other foreign countries are—that is, you would be if you sold at all?

Mr. MORSE. Exactly.

Mr. POU. And what you want is permission from the Government to export your goods into the islands free; and then you want a duty put on all foreign goods of 25 per cent?

Mr. MORSE. Well, if we can have the advantage in any way——

Mr. POU. Well, that is what I understood from your brief.

Mr. MORSE. Yes.

Mr. COCKRAN. He says he will take any advantage. He is not particular.

Mr. POU. But I want to know what he asks for.

Mr. COCKRAN. He says he will take any advantage.

Mr. POU. You say that that would be to the advantage of the Filipino eventually?

Digitized by Google

Mr. MORSE. Certainly.

Mr. POU. And your reason for saying that is that if you are allowed this advantage over the foreigner that will eventually enable you to sell to the Filipinos cheaper than they are getting the goods now?

Mr. MORSE. Yes, sir.

Mr. POU. Do you really believe that?

Mr. MORSE. I do. As I stated, it is a matter of selling or of building in large quantities that enables us to reduce the cost of production and consequently to sell at a lower price.

Mr. POU. You have already got the home market. The foreigners can not compete with you inside of the United States, can they?

Mr. MORSE. No; they do not build the type of motor we are building.

Mr. RANDELL. Do you mean by that that on account of your making a different type of motor they can not compete with you in the United States, or simply that you have a protective tariff that keeps them out? Which is it?

Mr. MORSE. No; I think there is free intercourse about that. England is our greatest competitor.

Mr. RANDELL. You would have the same show in the Philippine Islands. If they wanted to buy your motor they could do it, could they not?

Mr. MORSE. In the Philippine Islands?

Mr. RANDELL. Yes. If they wanted to buy the particular type that you make, they could do it, could they not?

Mr. MORSE. Yes.

Mr. RANDELL. And you want to force them to do it by not letting them buy the others cheaper?

Mr. MORSE. That is not my idea.

Mr. RANDELL. You say you are here in the interest of the Filipino. Is that the fact?

Mr. MORSE. Yes, sir——

Mr. RANDELL. Did you——

Mr. COCKRAN. Let him finish.

Mr. RANDELL. I did not mean to interrupt him.

Mr. MORSE. That is all right.

Mr. RANDELL. Did you consult any of them about it, or did any of them send you here?

Mr. MORSE. Sir?

Mr. RANDELL. Did any of the Filipinos consult with you about this?

Mr. MORSE. I do not wish it to be understood that I am a philanthropist or anything like that.

Mr. RANDELL. Well, you said you were here in the interest of the Filipinos.

Mr. MORSE. I said the Filipinos——

Mr. POU. He says that it would enable him to sell cheaper.

Mr. RANDELL. Is it not a fact that you want to force them to buy from you by depriving them of the opportunity of buying from these other people?

Mr. MORSE. No.

Mr. RANDELL. If they could buy as cheaply from the others they would not have to buy from you.

Digitized by Google

Mr. MORSE. I know; but the man on the ground gets the business.

Mr. RANDELL. Why do you not get on the ground, then?

Mr. MORSE. I can not afford to.

Mr. RANDELL. Can the Filipino afford to let you get on the ground as you want to?

Mr. MORSE. They do not.

Mr. RANDELL. And you want to make them. Now, is it not a fact that you want to exploit the Filipinos, because you think the Government can do it?

Mr. MORSE. No, sir. Briefly, the idea in the Philippine Islands to-day is that they are not being fairly treated by the United States in the matter of this duty. That is what the correspondence that I read to you to-day shows.

Mr. COCKRAN. Of course. He is here in the interest of justice. It is perfectly apparent.

Mr. RANDELL. It was not so apparent to me as it appears to be to you.

Mr. COCKRAN. Oh, it is very clear. The Filipinos complain because they have to buy things so cheaply at the present time. Is that it?

Mr. MORSE. Not at all, sir.

Mr. COCKRAN. Your object is to get the duty, is it not? You want to get a duty imposed now upon all goods competing with yours that go into the Philippine Islands from foreign countries. That is it, is it not?

Mr. RANDELL. You want to head the other fellow off, and you get the money. Is not that it?

Mr. MORSE. I think we ought to be allowed to have a share of it, which we have not now.

Mr. COCKRAN. I think we are getting at what he wants. You want to get a share of the market?

Mr. MORSE. Exactly.

Mr. COCKRAN. You do not want to do it by selling cheaper than the foreign competitors, because you can do that now?

Mr. RANDELL. He wants it by forcing the foreigner to sell for more by reason of the duty.

Mr. COCKRAN. We will get at it. You want to go in there now and get a monopoly of the market by making the competing article dearer than it is, through this tariff. Is not that it?

Mr. MORSE. Well, we are asking for that advantage.

Mr. COCKRAN. But, at whose expense is this advantage? Or, do you care? You want the advantage, and you are willing that somebody else should decide as to who pays for it, so long as you get it. Is not that it?

Mr. MORSE. No, sir; that is not my idea.

Mr. COCKRAN. Well, you said you were not a philanthropist.

Mr. CALDERHEAD. Do you understand that he wants to present some boats to the Filipinos?

Mr. COCKRAN. You want an advantage, do you not?

Mr. MORSE. We are selling our goods at a narrow margin of profit.

Mr. COCKRAN. Exactly.

Mr. MORSE. It costs us more to build our goods than it costs England, France, or Germany, who can produce the same thing—or not exactly the same, but an engine using gasoline as a fuel.

Digitized by Google

Mr. COCKRAN. And they sell cheaper than you do, and that is the way they have kept you out of the market, is it not?

Mr. MORSE. Yes, sir.

Mr. COCKRAN. Very good. You do not want the Filipinos to enjoy—that is, you do not want the Filipinos to get the cheaper article. You want them to pay for the dearer article produced by you. Is not that it?

Mr. MORSE. The more our market is extended the lower and the cheaper we can produce our goods.

Mr. COCKRAN. But at present you want the Filipino to pay for the dearer article, and take it?

Mr. MORSE. If we get the Filipino market we can afford to sell cheaper.

Mr. COCKRAN. Oh, but that is in the future. At present you want the Filipino to be forced to buy the dearer article produced by you than to buy the cheaper one produced by your competitor?

Mr. MORSE. Cheaper and less efficient.

Mr. COCKRAN. If it is less efficient, it is not cheaper. Do you not see, if an article is less efficient than another it is not cheaper, unless the inefficiency proves to be less than the difference in cost?

Mr. MORSE. Which is a fact.

Mr. COCKRAN. Then, in point of fact, you have a better article?

Mr. MORSE. We have.

Mr. COCKRAN. Then you do not want any assistance from us.

Mr. MORSE. But we can not afford to market it.

Mr. COCKRAN. And you want to get this assistance from us to enable you to market it in the Philippine Islands at a certain price, which is higher than that of the competing article. Is not that so?

Mr. DALZELL. I think we know what he wants from his brief without having an argument with him about it.

Mr. MORSE. The fact is we can not sell our engines in the Philippine Islands under existing circumstances.

Mr. COCKRAN. And you want a chance to sell?

Mr. MORSE. Yes, sir.

Mr. COCKRAN. And you want that advantage?

Mr. MORSE. Yes, sir.

Mr. COCKRAN. And it is not a matter of very much importance to you where it comes from so long as you get it.

Mr. RANDELL. Why do you think the United States Government has a right to force the Filipinos by law to purchase from you instead of purchasing from Germany?

Mr. COCKRAN. It is benevolent assimilation for the benefit of the assimilators. [Laughter.]

Mr. RANDELL. I want to know why you think it is right to come here and ask us to exploit the Filipino for your benefit?

Mr. MORSE. I am not asking that.

Mr. RANDELL. You ask to have him pay a higher price for your goods than they want in the market there.

Mr. MORSE. But we furnish a better product, a better machine.

Mr. RANDELL. Have not they sense enough to attend to their own business——

Mr. CALDERHEAD. Before he answers that I think he ought to answer by what right we levy any tariff.

Digitized by Google

Mr. HILL. And by what right the Filipinos have 25 per cent advantage of the United States market, as they have now, by reason of the tariff; and not only that, but of paying back all duties we collect over 75 per cent.

Mr. DALZELL. Also, that we have the same right to extend the Dingley tariff bill around the Philippine Islands that we have to extend it around Porto Rico, and that we probably will in time, whatever may be Mr. Cockran's and Mr. Randell's conclusions.

The CHAIRMAN. You are an American citizen?

Mr. MORSE. Yes, sir.

The CHAIRMAN. And you probably pay a part of the taxes of the United States Government?

Mr. MORSE. Yes, sir.

The CHAIRMAN. And a part of those taxes go for the benefit of the Philippine Islands?

Mr. MORSE. Yes, sir.

The CHAIRMAN. There is a dispute about how much—anywhere from ten millions to six hundred millions, I believe—but part of the money goes for the benefit of the Philippine Islands, and you want the same privileges with regard to the tariff with respect to the Philippine Islands that you have with respect to the rest of the United States, including Porto Rico and the Hawaiian Islands?

Mr. MORSE. Yes, sir.

Mr. COCKRAN. Regardless of the effect on the Filipinos.

Mr. RANDELL. Now, Mr. Morse, having been posted by the majority of the committee, can you answer my question and tell me on what basis you claim the right to come here and have a law passed that will force the Filipino to buy from you instead of buying as he pleases in the market, from the German or other manufacturer? Now, let him answer that. He has been posted sufficiently, I think. By what authority do you think we have that right, or by what right should we exercise that authority?

Mr. MORSE. Probably because it was requested by the prospective purchasers of our goods in the Philippine Islands.

Mr. RANDELL. Because of what?

Mr. MORSE. Because it was suggested by the prospective purchasers in the Philippine Islands.

Mr. RANDELL. Which purchasers? Do you mean some dealer there?

Mr. MORSE. No, sir; the consumers.

Mr. RANDELL. I thought you said that you had not consulted them. You said you were no philanthropist, and that you had not consulted them. Now you say the consumer makes this suggestion. Why can not the consumer buy without our passing a law? The law would not put any money in his pocket. Why can he not buy your machine?

Mr. MORSE. That is the thing that is in the way of our selling our goods there.

Mr. RANDELL. You say now the consumer wants you to get a law passed. The consumer can buy a machine without any law being passed. All he has to do is to have the price. Is not that correct? Do you not know that he does not want to buy your article, and you want to force him to do it by law?

Mr. MORSE. No, sir; I have correspondence that bears out the statement I——

Digitized by Google

Mr. RANDELL. Give me the name of one dealer who wants to buy your machine and who does not want to buy it until you can get a law passed that will help him to do it.

Mr. MORSE. Do you want the name and address?

Mr. RANDELL. I want the name of some man who wants to buy a machine to use—a consumer—who refuses to buy unless you can get a tariff law passed so that he can buy it.

Mr. MORSE. Corley Whann.

Mr. RANDELL. Have you the letter with you?

Mr. MORSE. No, sir; I have it in my correspondence in the city though. I can see that you get it in your hands.

Mr. RANDELL. The substance of the letter is that he is anxious to buy one of your motors?

Mr. MORSE. Yes, sir.

Mr. RANDELL. That he wants a tariff law passed first so that he can buy it; that what is preventing him from patronizing you and using your engine, as a consumer, is that he can not buy under the present state of the market, and he wants a protective tariff wall put up to keep Germany out and to let him buy your machine. Is that the substance of the letter?

Mr. MORSE. There is nothing said about the tariff on German or English made goods; but a reference to the tariff in the United States——

Mr. RANDELL. Does he say that in order to buy your machine he wants a tariff by the United States Government so that he can buy your machine?

Mr. MORSE. He states very plainly that he has been delayed in making his purchase through the existing tariff on our goods imported into the Philippine Islands.

Mr. RANDELL. Have you not an equal show with Germany so far as the law is concerned?

Mr. HILL. His competition was with the English, he said, I thought.

Mr. RANDELL. Well, take any other place. Have you not an equal show with the products from all the other markets in the Philippine Islands?

Mr. MORSE. So far as the tariff is concerned——

Mr. RANDELL. You have a letter stating that the consumer wants to buy your machine, and is delaying to see if he can not get a protective tariff in your behalf before he buys it.

Mr. COCKRAN. So that he would have to pay more for it.

Mr. RANDELL. Do you not think you are mistaken about all this?

Mr. MORSE. No, sir.

Mr. RANDELL. Did he write from an insane asylum?

(There was no answer.)

The CHAIRMAN. Mr. Morse, did you state in your brief for how much less the Germans can land engines in the Philippine Islands—in Manila—than you can?

Mr. MORSE. No, sir; I did not.

The CHAIRMAN. Do you know?

Mr. MORSE. Well, it is considerably less. They have a base of supplies. Their agents are stationed at Hongkong and they have agencies all over that section of the world.

The CHAIRMAN. Is that the only reason they can sell lower than you can?

Digitized by Google

Mr. MORSE. They can produce them lower.

The CHAIRMAN. How much lower?

Mr. MORSE. I should say 25 to 40 per cent.

The CHAIRMAN. You come in under the basket clause at 45, do you not? What duty is there now on the German engines imported into New York?

Mr. MORSE. I do not know.

The CHAIRMAN. You never bothered about that. But you think they can produce about 25 per cent cheaper than you can?

Mr. MORSE. Yes, sir.

Mr. HILL. Your English competitor has a preference of 33⅓ per cent of the Canadian market?

Mr. MORSE. Twenty-seven and one-half, I think.

Mr. HILL. And you practically ask the same privilege in the American possessions?

Mr. MORSE. We ask to be allowed to sell our goods there.

Mr. RANDELL. You think you own the Filipinos.

Mr. COCKRAN. Oh, no; he wants the advantage.

METAL BOTTLE CAPS.

[Paragraph 193.]

STATEMENT OF JOSEPH L. GITTERMAN, OF No. 308 WEST ONE HUNDRED AND THIRTY-EIGHTH STREET, NEW YORK CITY, RELATIVE TO BOTTLE CAPS.

WEDNESDAY, *November 25, 1908.*

Mr. GITTERMAN. I appear before you in regard to the tariff on bottle caps.

Mr. LONGWORTH. What paragraph is that in?

Mr. GITTERMAN. Paragraph 193. Under the present tariff law bottle caps are classified under paragraph 193, which covers articles of metal "not specially provided for."

Mr. GRIGGS. Are you a lawyer?

Mr. GITTERMAN. No, sir; I am a manufacturer of bottle caps.

Mr. GRIGGS. Are you making money?

Mr. GITTERMAN. Not very much.

Mr. GRIGGS. You are making some money?

Mr. GITTERMAN. Very little. I thought I would read this brief, because I have taken up all these things here, one after another, if you will permit me.

Mr. GRIGGS. But that is my preliminary question, you understand, and then I will not trouble you any more.

Mr. GITTERMAN. I thought it was a courtesy on the part of the chairman to allow me to come here out of my turn, and I thought I would do it this way in order to save time.

Mr. GRIGGS. Are you making any money?

Mr. GITTERMAN. Very little.

Mr. GRIGGS. Go ahead. I am sorry for you.

Mr. GITTERMAN. Paragraph 193 covers articles of metal "not specially provided for." Under this paragraph bottle caps pay a duty of 45 per cent ad valorem.

Digitized by Google

Mr. Gitterman here read the following:

We respectfully submit the following as a proposed change in the tariff on bottle caps:

On bottle caps, if uncolored or not embossed in color, 45 per cent ad valorem; if lacquered or enameled, or lithographed or embossed in color, 10 per cent extra ad valorem for each color of lacquer, of enamel, of printing, of lithographing, and of embossing (bronze to be counted as two colors), and in addition thereto upon all the foregoing the duty per pound, including the weight of the immediate wrappings and labels around each cap and around the rolls of caps shall be the same duty as imposed by this act on a pound of pig lead.

Bottle caps are made of tin and lead. They contain about 97 per cent lead and 3 per cent tin. The most popular size, and at the same time the average size, is a cap measuring 1⅛ inches across the top and 1½ inches in length. This size usually weighs 12¼ pounds per one thousand, and is composed of 11.88 pounds of lead and 0.36¾ pound of tin; total, 12.25 pounds.

Let us see what duties the large exporting countries of Europe assess. France and Germany levy a duty of 2⅝ cents per pound on caps from the most favored nations, and Austria, the cheapest labor market in the world and the largest exporter of bottle caps to the United States, asks a minimum tariff of 4 cents per pound.

It is also interesting to see what a small duty on lead these three exporting countries assess. France gets one-third of a cent per pound on imported lead, Germany allows it to come in free, and Austria gets forty-four one-hundredths of a cent per pound. Tabulating the duty on caps and the duty on lead, and subtracting one from the other, we get the actual protection.

Duty on caps.

France.	Germany.	Austria.	United States.
12¼ pounds 2⅝ cents	12¼ pounds 2⅝ cents	12¼ pounds 4 cents	Value 98 cents. 45 per cent.
32 cents	32 cents	49 cents	44 cents.

Duty on lead.

12¼ pounds .00¼ cent	Free	12¼ pounds .00 44/100 cent	12¼ pounds. 2¼ cents.
.04 cent	Nothing	.05 cent	25¼ cents.

Actual protection.

28 cents	32 cents	44 cents	19¼ cents.

From this you will observe that the actual protection on bottle caps a manufacturer gets in France is 28 cents, in Germany 32 cents, in Austria 44 cents, and in the United States we are accorded one of 19¼ cents. The labor costs us from three to six times as much as it costs our European competitor. Notwithstanding these facts, we are accorded a protection of only 45 per cent ad valorem, while our material which we use is protected by a duty which at times amounts to 70 per cent, dependent upon the price of lead, upon which there is a specific and not an ad valorem duty.

Digitized by Google

The additional duty of 10 per cent extra ad valorem for each color of lacquering, etc., is imperatively demanded by the state and size of the bottle-cap industry in this country, as compared with this industry in European countries, and if accorded to American manufacturers will enable us to do what we have not thus far been able to accomplish, namely, to manufacture bottle caps here to meet the requirements of American consumers instead of having that trade import almost all the bottle caps which are used in this country. For the reason that bottle caps are not scheduled in the tariff act under the general clause of metal articles "not specially provided for," we are unable to present precise statistics as to the exact number imported, but our familiarity with this industry enables us to say that at least 75 per cent of the caps now used in this country come from abroad.

It scarcely needs even a word of explanation to show that the reason why we suggest a duty of 10 per cent extra for each color of lacquer, etc., is because the colored foreign cap does not cost the importer sufficiently more to counterbalance what an American manufacturer is compelled to pay his hands for putting on extra colors, leaving out every other element of cost which should be taken into consideration, such as rent for space, power, and other necessary expenses of running the business.

For instance, one French manufacturer, by the name of L. Meynieux & Cie, of Bordeaux, France, charges 25 centimes per thousand, the equivalent of 5 cents for 1,000 bands, whereas we actually do and are compelled to pay our hands 20 cents per thousand for the same work. Even at that rate our hands can not make more than $6 per week if constantly employed and working ten hours a day. A Dutch manufacturer by the name of Falc Lewin, located at Bois-le-Duc, Holland, charged 3d. (charges being made on the basis for the English market), the equivalent of 6 cents, for coloring the embossed surface on the top of a cap, whereas our operators are paid 30 cents per thousand.

We appreciate that there is assumed to be a popular demand for a general reduction of the tariff. We, however, assume that your honorable committee does not intend to misinterpret this supposed demand into an indiscriminate reduction. We are also led to believe that in some instances those who are asking for an increase of duty on imports in their respective industries are really desirous only that the present rate of duty shall not be disturbed. This is not our position, and we are impressed with the conviction that your honorable committee in its desire to formulate an equitable tariff law will not hesitate to increase duties where the same are necessary, in order to afford proper and adequate protection to American industries.

We further respectfully call your attention to the fact that our position as manufacturers of bottle caps merits peculiar attention from your committee. We may assume that any industry whose goods are classified under the tariff law, in a general way, as "not specially provided for," was deemed to be relatively unimportant at the time of the enactment of the law. It is, of course, apparent that a general classification is likely to produce inequitable results. We assume that so far as it is possible your committee desires to remedy any injustice that is now being done, and for this reason we submit to you the following considerations:

Digitized by Google

The first factory to make bottle caps was started in Europe about one hundred and four years ago, and the industry has prospered and flourished so well in Europe that there are now in France about thirty-five factories, in Germany about thirty, and in Austria about twenty. These factories not only supply the requirements of their respective countries, but export caps in large quantities into this country.

In this country caps have been manufactured for only a quarter of a century, and the number of factories now in existence is but three. There were at one time six factories, but three of these have been compelled to give up business owing to their inability to compete with the foreign manufacturer. During the twenty-five years in which caps have been made in this country, the combined output of manufacturers has represented but 25 per cent of the entire consumption of caps by domestic consumers. Is this a commentary upon the lack of ingenuity and skill of the American manufacturer, or is it due, as we contend, to the inadequacy of the tariff duty, which should protect that manufacturer and his employees? We submit that the answer is obvious.

When the present tariff law was enacted, the industry in this country had been in existence for so few years, and was so unimportant, that no effort was made to secure adequate protection. It may be asked what distinguishes the bottle-cap industry now from the conditions which surrounded it at the time of the enactment of the existing law. The answer to that inquiry is this: That manufacturers of bottle caps, like ourselves, were at the time of the enactment of the present law just starting in to manufacture caps. They were all manufacturers of tin foil, which constituted the main element of their business. They had taken up the manufacture of caps as a side branch of their business, which they were ready to abandon at any time. They did not know under what conditions caps could be successfully manufactured in this country. The experience of years has taught them that the large and constantly growing demand for caps can be supplied by them if they are able to meet foreign manufacturers on an equal basis.

We especially invite the attention of your honorable committee to the fact that in European countries, notably France and Germany, the manufacturers of bottle caps have formed syndicates for the sale of their product, and that, inasmuch as the tariff on bottle caps imposed in other European countries, such as Italy, Spain, Russia, Germany, and France, is very much higher than the tariff in this country, the result is a somewhat unique one, because in that the selling syndicates, being unable to send their surplus product into other European countries, avail themselves of the low and inadequate tariff imposed in the United States to send the wares which they can not dispose of in their own countries into ours.

Another interesting phase of the situation is this: The European manufacturer, in his desire to sell his goods in the United States, frequently sells caps to the American importer at a low price, which is presumably a little more than the cost of production, and invoices them accordingly, the invoice price being lower than that at which caps are sold in the European home market. That this is so is recognized by the customs authorities of this country, who appraise the imported caps at a price higher than that named in the invoices, and have assessed the duty on this higher valuation, on the ground that

Digitized by Google

the same represents the price at which caps are sold in the foreign home market.

We could submit no more conclusive illustration of the fact that the present tariff upon bottle caps is inadequate and low. It is perfectly obvious that, notwithstanding the increased valuation put upon imported caps by the customs authorities, the American importer gets the benefit of the low prices at which caps are sold, and that the increase of duty, owing to its general inadequate character, makes very little difference in the cost to him.

A marked illustration of the inadequacy of the present tariff on caps and the resultant injustice to American manufacturers is shown by the fact that there is a large portion of the American home market in which we can not compete with European manufacturers. The American manufacturer can not avail himself of the large market for caps afforded by the Pacific States even on caps requiring the least amount of hand labor. Owing to the inadequacy of the present tariff, the growth of the bottle-cap industry in this country has been retarded; as a matter of fact, there is no bottle-cap factory west of Chicago. It is, of course, unnecessary to refer to the large consumption of bottle caps in the State of California alone, created by the great wine industry, aside from the other requirements of that market. Notwithstanding the great opportunities which the Pacific market should present to the American manufacturer of bottle caps, he is unable to compete in that market with the European manufacturer, although the latter sends his goods from a distance which is so much greater.

Surely your committee needs no more effective reason than this for increasing the present tariff on bottle caps. If the present tariff were adequate, why is it that there is not a bottle-cap factory in the great States of Missouri, Colorado, and California? And this notwithstanding the fact that Colorado is the greatest lead-producing State of the country, which metal forms 97 per cent of the bottle cap.

Need we go any further? If so, we call the attention of the committee to the fact, of which we are personally cognizant, that American lead is sent from the United States to Germany and France and there used in the manufacture of German and French caps, which we have shown are not only imported to the United States, but sent as far as the Pacific coast.

We shall surely not be misunderstood by your committee when we say that the present conditions surrounding the manufacture of bottle caps are such that, while we are naturally desirous of supplying the large and attractive home market from this country, we have found that we can not do so with a margin of legitimate profit unless we are accorded an advance in the present tariff rate.

In addition to manufacturing caps we are manufacturers of tin foil in this country, and are interested in a manufactory of tin foil in Germany, and while we would naturally prefer to make bottle caps here, we feel that unless the tariff on bottle caps is increased we shall be compelled to avail ourselves of the kindred facilities afforded by our German tin-foil factory and transfer our bottle-cap branch to that country.

Three of our former competitors in the manufacturing of bottle caps have been compelled to close their plants. This leaves only 3 factories doing business in this entire country. While we are

Digitized by Google

necessarily asking for a higher rate of duty, in order that we may maintain and increase our own cap business, we confidently submit to your honorable committee the fact that this industry, which supplies the growing wine, beer, liquor, pharmaceutical, pickle, and other industries, should be encouraged and not discouraged. Instead of only 3 factories of the kind in this country there should be many more. There is room enough for a considerable increase in the number of these factories scattered over the country, as they naturally would be, and they could be operated with sufficient profit for all interested, if the tariff were moderately increased, by taking unto Americans what is now given Europeans, and this without any injury to the consumer.

In submitting these considerations for the revision of the tariff on bottle caps by moderately increasing the duty, as above outlined, we have based our plea on the theory of a compensating tariff which will take into consideration the duty on lead, which constitutes 97 per cent of the ingredients of bottle caps. It will be conceded that it is only fair to manufacturers of bottle caps, as consumers of lead, to secure adequate protection to compensate us for the duty on the raw material used in bottle caps. Our suggestion would give us a tariff equivalent only to our increased cost of manufacture over European factories by reason of the higher price of labor here plus a reasonable profit of 10 per cent.

I call especial attention to this:

We are ready at any time to furnish to you or any Representative the details as to our cost of manufacture, including our books of record, which will readily prove our eminent fairness.

The CHAIRMAN. This is a new industry?

Mr. GITTERMAN. It is a comparatively new industry. When the last tariff was framed we were just starting and experimenting.

The CHAIRMAN. How much duty do you think you want?

Mr. GITTERMAN. In the first place, we want to have the weight duty equal to the duty on lead. We do not care what the duty on lead is, but we want that as a basis; and then we would like 45 per cent on the plain goods in addition to this duty on lead.

The CHAIRMAN. How much duty do you want, by the pound?

Mr. GITTERMAN. If the duty is 2⅛ cents, as it is at the present time, give us 2⅛ cents plus 45 per cent. If the duty on lead is cut down, give us 2 cents.

The CHAIRMAN. Is this article made of lead?

Mr. GITTERMAN. Ninety-seven per cent lead and 3 per cent tin.

The CHAIRMAN. And how much of the cost is labor?

Mr. GITTERMAN. The greater part is labor.

The CHAIRMAN. What per cent?

Mr. GITTERMAN. I can furnish all those statistics. I can just calculate that roughly. About 60 per cent on the plain goods.

The CHAIRMAN. Sixty per cent is labor and 40 per cent is lead?

Mr. GITTERMAN. No. Just a moment; that is on the present price, about 67 per cent.

The CHAIRMAN. Sixty-seven per cent of labor and 33 per cent lead?

Mr. GITTERMAN. Lead and tin. Tin is not dutiable.

The CHAIRMAN. If there is a cut on the lead, how much do you want?

Mr. GITTERMAN. Whatever the duty on lead is, let us have.

Digitized by Google

The CHAIRMAN. Whatever the duty on lead is, you want that duty by the pound?

Mr. GITTERMAN. Yes.

The CHAIRMAN. So that if we cut the duty on lead we cut that duty by the pound?

Mr. GITTERMAN. I do not understand.

The CHAIRMAN. If we reduce that duty on lead, it helps your industry to that extent, does it not?

Mr. GITTERMAN. It helps us, but does not help us enough.

The CHAIRMAN. I did not say anything about whether it was enough or not. It helps you, does it not?

Mr. GITTERMAN. It helps us; yes, sir.

The CHAIRMAN. How much more do you pay your labor here than they pay abroad?

Mr. GITTERMAN. I said from three to six times as much. I happen to have been in Europe last year, and investigated this, and in one case I know it was eight times as much. This is girl labor, and one would hardly believe the prices they pay in some of the European countries for that labor, especially in Austria.

The CHAIRMAN. That would leave 67 per cent for your labor?

Mr. GITTERMAN. But I answered you on the goods requiring the least amount of hand labor, the goods I quote here, and I thought it was only fair to take them. In some cases the material amounts to 10 per cent. I thought it was only fair to answer in this particular case I quoted.

The CHAIRMAN. These caps are made of lead?

Mr. GITTERMAN. Yes.

The CHAIRMAN. Can they make these caps out of other substances?

Mr. GITTERMAN. No, but the labor on other goods is so much higher. We to-day compete with them on the goods requiring very little labor. Those goods that require very much labor I have not taken into consideration.

The CHAIRMAN. What is the average labor required on your whole product, compared with the total cost; what per cent is labor?

Mr. GITTERMAN. I should think about 80 per cent on the industry.

The CHAIRMAN. Eighty per cent. Then the less labor it requires the more the percentage increases? You said the other goods required less labor, did you not?

Mr. GITTERMAN. No, I said the goods I spoke of required less labor; and if you will allow me to read that paragraph again, you will see I covered that point with our suggestion.

Mr. LONGWORTH. Do not read that again. What did you say the German tariff was?

Mr. GITTERMAN. I have that all worked out. The German tariff is 2⅜ cents per pound on bottle caps, while ours is 45 per cent, and really on what I quoted is 44 cents. May I read this calculation to Mr. Longworth? The duty on caps in France is 2⅜ cents per pound, and the average cap which I take in this calculation weighs 12¼ pounds, and that amounts to 32 cents on that cap. The import duty on that cap is 4 cents. Therefore the French manufacturer gets a duty of 28 cents. Taking the same basis in Germany, the German Government levies a duty of 2⅜ cents a pound on caps, and lets lead come in free. The German manufacturer with his cheap labor——

The CHAIRMAN. You need not bother to read that over again.

Digitized by Google

Mr. GITTERMAN. I did not give that part of it when I read it before.

Mr. LONGWORTH. What I want to get at is, what is the equivalent ad valorem duty in Germany and France as compared to 45 per cent?

Mr. GITTERMAN. Why, it is about 100 per cent in Germany.

Mr. LONGWORTH. More than 100 per cent?

Mr. GITTERMAN. Yes. The strange part of it is they are protected even more than we are in this industry, they having a duty of 2⅜ cents. No, on the lead it is free. You asked me on the cap. On the cap it is 2⅜ cents a pound.

Mr. LONGWORTH. And what is a pound worth?

Mr. GITTERMAN. A pound of lead?

Mr. LONGWORTH. No, a pound of caps.

Mr. GITTERMAN. The value of caps, of those 12¼ pounds, is 98 cents for import.

The CHAIRMAN. Do not read that brief over again. I understood you were going to make a short statement and then stop. If you can not answer the question, say so.

Mr. GITTERMAN. Yes, I can answer any question.

The CHAIRMAN. What is a bottle cap?

Mr. GITTERMAN. A cap that fits over a bottle like a wine bottle or a pickle bottle. Our goods are made from lead and tin. The cap is sometimes called a tin-foil cap. It is not enumerated in this tariff at all.

Mr. LONGWORTH. Does it take the place of a cork?

Mr. GITTERMAN. No, sir; it is simply an ornament.

Mr. CLARK. How much does this weigh?

Mr. GITTERMAN. Twelve and a quarter pounds.

Mr. CLARK. Twelve and a quarter pounds each cap?

Mr. GITTERMAN. No, sir; 12¼ pounds a thousand.

The CHAIRMAN. These are the caps they use on beer bottles and effervescent drinks, are they not?

Mr. GITTERMAN. No, sir; they are used on champagne bottles and still-wine bottles.

The CHAIRMAN. They are a luxury, are they?

Mr. GITTERMAN. Yes, sir.

Mr. CLARK. How much tariff are you getting now?

Mr. GITTERMAN. Forty-five per cent ad valorem.

Mr. CLARK. How much do you want?

Mr. GITTERMAN. We want 45 per cent ad valorem in addition to the duty the committee puts on lead.

Mr. CLARK. You want to get the whole thing?

Mr. GITTERMAN. Not at all. Our books will prove that. We only want to get what you want to give us to cover our increased cost of production, plus a reasonable profit.

Mr. CLARK. Did you say that you invented this industry in the United States?

Mr. GITTERMAN. We were one of the pioneers in the United States.

Mr. CLARK. How did you happen to go into such an unfortunate business?

Mr. GITTERMAN. As I said, this is a branch business of our tin-foil business. They are allied in all the countries of the world.

Mr. CLARK. Do you not think that you had better get out of it?

Mr. GITTERMAN. We will get out of it if we do not get the duty that we need.

Digitized by Google

Mr. CLARK. I hope you will.

Mr. GITTERMAN. We will go to Europe, where we are manufacturing.

Mr. GRIGGS. When you finished reading your paper you turned to me and said "There, now." What did you mean by that?

Mr. GITTERMAN. No, I said about the last paragraph that we are willing to give you any details. No, no; I did not mean to say any such thing as that. We will give you copies of our record.

Mr. GRIGGS. I simply wanted to know what you meant.

Mr. GITTERMAN. No; I only answered that in this brief. Thank you.

Mr. GRIGGS. As I understand, you want 45 per cent ad valorem which you now have?

Mr. GITTERMAN. What is that?

Mr. GRIGGS. You have 45 per cent ad valorem?

Mr. GITTERMAN. Yes.

Mr. GRIGGS. I believe I am with you on that.

Mr. GITTERMAN. All right. Thank you.

HUGO CAHN & CO., NEW YORK CITY, URGE MATERIAL REDUCTION IN DUTY ON BOTTLE CAPS OF METAL.

NEW YORK CITY, *December 3, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
Washington, D. C.

DEAR SIR: Respecting the proposed revision of the tariff, and in connection with the information being gathered by your committee at this time, we respectfully refer to metal bottle caps manufactured of lead with a very small percentage of tin, which, under the present tariff, are subject to an ad valorem duty of 45 per cent, and to express the opinion that this class of merchandise should be allowed entry on a more favorable basis.

When the present tariff was enacted the manufacturing of these goods in this country was in its infancy, and the methods used in manufacturing were comparatively primitive, much the greater part of the work being done by hand. The American manufacturer has, however, improved and perfected his methods, and at the present time these goods are made in large quantities by means of automatic machines, so that the cost of labor in the production of the same is reduced to a minimum.

We feel safe also in stating that the domestic manufacturer, at any rate until quite recently, had, in most classes of bottle caps, so much business to handle as to put him very far behind the regulation time for deliveries. The importer of these goods, however, even in handling such business as he could get in competition with the domestic manufacturer, can secure only a nominal profit, because of the excessive duty. We believe that domestic manufacturers at the present time are exporting these goods to other countries, in competition with similar goods manufactured in Europe, and we respectfully suggest that, in our opinion, the industry here does not require anything like the protection which is assured to it under the present

tariff, and that an ad valorem duty of 25 per cent would be ample for the protection of the domestic manufacturer and allow the importer to secure a reasonable profit on his goods.

Respectfully submitted.

HUGO CAHN & Co.

BUDDE & WESTERMANN, NEW YORK CITY, THINK THAT REDUCTION OF DUTY ON BOTTLE CAPS IS ADVISABLE.

NEW YORK CITY, *December 4, 1908.*

Hon. SERENO E. PAYNE,
Chairman of Committee on Ways and Means,
Washington, D. C.

SIR: The question of revising the customs tariff being under consideration, we respectfully beg to call your attention to metal bottle caps.

The component metals are lead and tin, about 95 to 98 per cent of the former and about 5 to 2 per cent of the latter.

At present these goods pay a duty of 45 per cent ad valorem. We believe that this might now be materially reduced.

The mode of making bottle caps in this country has undergone radical changes of late years. They used to be made by hand; automatic machines make them now. Manual labor is no longer an important item in the cost of production.

Regular, not cut, prices for domestic staples in metal bottle caps are so low that imported goods can not compete, and the domestic manufacturer has been for years past and up to very recently so crowded with orders that in a great many instances he has not been able to take proper care of them.

The importer's field has been reduced to less desirable specialties. Even these he has to handle at an insignificant profit; the high rate of duty renders it impossible to add a fair profit without making the goods so dear that they can not be sold.

A reduction in the rate of duty would stimulate competition and benefit the consumer in several ways without hurting the domestic manufacturer.

We beg to submit that the rate of duty be reduced to 25 per cent ad valorem.

Respectfully,

BUDDE & WESTERMANN,
OTTO HUBER, *Secretary.*

MAX FRANKEL CO., NEW YORK, SAYS THERE IS UNIVERSAL DEMAND FOR REDUCTION OF DUTY ON BOTTLE CAPS.

NEW YORK CITY, *December 4, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
Washington, D. C.

DEAR SIR: We note that there is an almost universal demand from consumers throughout the United States for a reduction of the present enormous tariff of 45 per cent on manufactures of metal. In this connection we respectfully desire to call your attention to the article,

Digitized by Google

metal bottle caps, which we import and which are manufactured principally of lead, but with a slight coating of tin.

The manufacturers of these goods in the United States have to-day the most perfect and labor-saving machinery for the manufacture of these bottle caps, and, we understand, are to-day exporting their products to Mexico, Cuba, Central and South America, in competition with the products of the large European manufacturers of bottle caps.

It appears to us that unless there is a reduction of the tariff on this article importations of bottle caps will gradually cease, and the United States will lose such revenue as it has heretofore derived from this article. At the present time, on account of the high protective tariff, all consumers of this article are compelled to pay an exorbitant price therefor. Furthermore, should lead be placed upon the free list, then these already wealthy home manufacturers will have a still greater monopoly, as by making a very slight reduction in their prices they will effectually stifle importation of bottle caps.

We honestly believe that a tariff of 25 per cent on this article would be more than ample protection to our powerful home manufacturers, and such a 25 per cent tariff would at the same time be more advantageous to the United States Government.

Trusting that you will give this matter a thorough investigation, we remain,

Yours, very truly, MAX FRANKEL CO.

METAL FRAMES FOR TRAVELING BAGS.

[Paragraph 193.]

REPRESENTATIVES OF AMERICAN MANUFACTURERS ASK FOR RETENTION OF PRESENT DUTIES.

NEWARK, N. J., *November 24, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: We, the undersigned, manufacturers of metal frames for traveling bags, purses, and pocketbook frames, representing a large portion of our citizens who are engaged in this special line of manufacture, respectfully desire to call your attention to the present condition of this branch of industry in the United States and to request most earnestly that the duty of 45 per cent ad valorem be maintained in any new tariff legislation recommended by your committee to the House of Representatives.

The manufacture of these particular frames has heretofore been successfully carried on in this country because of the fact that we had styles peculiarly our own and suited only to American tastes which acted as a sort of protection to our manufacturers in addition to tariff duties.

This situation, however, no longer exists, as European manufacturers have copied the styles of our frames for handbags, purses, pocketbooks, etc., and are making large importations in strict competition with this now growing American industry. The complicated way in which importations of bag and purse frames enter the ports of the

Digitized by Google

United States under the so-called "Basket clause" of "Schedule C—Metals and manufacturers of" makes it impossible to collect with accuracy any definite statistics as to the amount of such importations.

There is remarkable contrast as to wages in this line of manufacture between the workmen of our country and those of the European nations. In the foreign countries there is perhaps no branch of labor so poorly paid and where the workman is compelled by necessity to take in wages whatever the storekeeper or manufacturer sees fit to give. When working in shops abroad, the average rate of wages for skilled labor is from $4 to $8 per week, while in the United States the workman receives from $21 to $30 per week; unskilled labor from $4 to $6 in this country; $0.50 to $1.50 abroad.

The present tariff is 45 per cent ad valorem, the articles in question being taxed under section 193, as follows:

193. Articles or wares not specially provided for in this act, composed wholly or in part of iron, steel, lead, copper, nickel, pewter, zinc, gold, silver, platinum, aluminum or other metal, and whether partly or wholly manufactured, forty-five per centum ad valorem

Under the tariff act of March 3, 1883, and the McKinley law of 1890 the rate was 45 per cent, which rate continued in force until the passage of the so-called Wilson bill of August 27, 1894, when a reduction of 10 per cent was made. This reduction worked great hardship and compelled a number of our concerns to cease manufacturing our frames.

The Dingley law rightfully restored the tariff to 45 per cent ad valorem, which allowed the industry to recover and expand.

Ours is a distinct business, and the number of people who are engaged in importing our goods has increased very largely within the past few years. The amount of capital invested and represented by your petitioners is $3,000,000, and they employ over 5,000 workmen, who are paid in wages over $4,000,000. Our material costs us $1,350,000. Our operating and overhead expenses are about $650,000, leaving us a net profit of $650,000, out of which we must stand any losses through our customers.

Your petitioners are independent manufacturers. They have not formed, nor do they contemplate forming, any combination, association, or trust to control prices or the output of their manufactured articles.

We are not seeking a prohibitive duty, and have never asked one, nor do we request an increased duty.

We insist, however, that any reduction in the present tariff on these articles of manufacture will drive your petitioners out of business and destroy a constantly growing industry that employs at good wages thousands of American workmen.

Respectfully submitted.

THE R. NEUMANN HARDWARE COMPANY,
Newark, N. J.

AUGUST GOERTZ & COMPANY,
Newark, N. J.

SIMON ZINN,
Hudson street, New York City.

L. B. PRAHAR,
Pearl street, Brooklyn, N. Y.

THE J. E. MERGOTT COMPANY,
Newark, N. J.

Digitized by Google

MOTORCYCLES.

[Paragraph 193.]

THE PIERCE CYCLE COMPANY, BUFFALO, N. Y., ASKS RETENTION OF PRESENT DUTY OF FORTY-FIVE PER CENT.

BUFFALO, N. Y., *December 21, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.

MY DEAR SIR: Now that your honorable body is considering the general revision of the tariff on imported articles, we would respectfully call your attention to the motorcycle industry. This industry is one of the infant industries of the country, and I believe one that has a very large future to it in the United States. You have been investigating quite thoroughly the steel industry in the past few days and have, undoubtedly, found that the item of cost of labor amounts to more than the cost of material. This is so in our business, amounting to about one and one-quarter times the cost of material, or of our general operating expenses. Consequently any reduction in the cost of producing the finished article must be made through a cut in the price of labor. This can not very well be done and allow the American workingmen much more than sufficient income on which to exist, to say nothing of living. When the writer was abroad about two years ago he overheard a skilled carpenter or patternmaker engaging to do special work at the rate of $1.25 per day in our money, and was more than pleased to obtain the work at that price. The same class of labor would have no trouble whatsoever in obtaining from $4 to $5 per day in this country. With the duty reduced or removed we would have to meet this class of labor, and it would not only work a hardship upon the manufacturers of motorcycles, but would eventually put us out of business, as we would be unable to employ sufficiently high-class workmen to turn out an article that would stand the requirements of the buying public. Therefore we would respectfully pray that your honorable body either include motorcycles in the classification of automobiles or at any rate allow the present duty of 45 per cent to remain. We would also bespeak this same duty for the bicycles, of which we manufacture about 7,000 annually, all of our product being the very highest grade.

Trusting that you may be able to see your way clear to grant our request and give us the classification which will give us the protection which we need, we beg to remain,

Obediently, yours,

THE PIERCE CYCLE COMPANY,
PERCY P. PIERCE, *President.*

Digitized by Google

THE HARLEY-DAVIDSON MOTOR COMPANY, MILWAUKEE, WIS., WISHES MOTORCYCLES CONTINUED IN SAME CLASSIFICATION AS AUTOMOBILES.

MILWAUKEE, WIS., *December 24, 1908.*

Hon. SERENO PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.

DEAR SIR: Responding to a suggestion from a manufacturer of motorcycles, we, as interested parties, beg permission to state the conditions governing our business in regard to foreign competition. The wages of skilled mechanics in Europe are in the neighborhood of 91 cents per day. Our employees are about half nonskilled and half skilled, and the average wage of productive labor in our factory is $2 per day.

The N. S. U. motorcycle is built in Belgium, at a factory the annual output of which is 15,000 motorcycles. Our output for the preceding year was 400. It is very evident from these figures that the manufacturing cost in our case is very much larger. Further, the buyer of material for 15,000 motorcycles operates at a very much greater advantage than the buyer for 400. Also, the wages for the nonproductive labor engaged in superintending the manufacturing and the selling of these motorcycles becomes a very small factor in the cost of each motorcycle in a factory engaged in building 15,000, but when 400 is the output the additional cost on each motorcycle is very evident.

As contrasted with the production of 15,000 motorcycles in a single European factory, 4,000 is the maximum number produced by any American manufacturer. This number was produced by one factory only, and the dozen or so of the other motorcycle manufacturers in this country produced last year less than 1,000 each. This being the case, it must appeal to you that at this particular time the American manufacturer is in no position to compete on equal terms with the European manufacturers of motorcycles.

We believe that the motorcycle should be classified with automobiles and should be given the same protection of 45 per cent duty. This is so because the motorcycle, like the automobile, is a motor-driven vehicle, and the same conditions of manufacturing and selling apply to each. Also, the same kind and class of material enter into the manufacture of each, the only difference being that the automobile industry has reached gigantic proportions and is on a secure footing, while the motorcycle industry has just begun.

Trusting that this statement of conditions, as seen by us, will be of some use to you, we are,

Yours, very truly,

HARLEY-DAVIDSON MOTOR CO.,
Per WM. S. HARLEY.

Digitized by Google

THE AUTO-BI COMPANY, BUFFALO, N. Y., THINKS PRESENT DUTY ON MOTORCYCLES SHOULD BE MAINTAINED.

BUFFALO, N. Y., *December 24, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR SIR: We understand that your committee has under consideration the question of proper duties to be imposed upon the importation of motor cycles manufactured in foreign countries. We also understand that some suggestion has been made that motor cycles be put in a classification with automobiles.

We believe that the present duty on automobiles of foreign make is 45 per cent. We think that amount is none too small for motor cycles, and we therefore do not wish to have you understand that we are objecting to the classification with automobiles because of the amount of the duty, but because we do not believe there exists any parallel between the automobile industry as an industry and the motor-cycle industry as such. We have only to point, for proof, to the large and extensive manufacturing plants in the automobile business, scattered all over the country, and the very small plants and companies but recently formed in the motor-cycle business. In other words, the state of the two industries is such that one is comparatively well established and prosperous, while the other is in its very early infancy. There are only about six manufacturers of motor cycles who can be considered as having even a small start in the business, and about twenty others who have just entered the field. We therefore think there is no prospect for some years to come of the two industries becoming equal in status.

In support of the proposition to have 45 per cent, or more, duty on motor cycles, we would call your attention to the fact that several foreign makers are already competing in the American market to-day, and paying the duty as it stands, and this fact in itself has been the cause, in more than one instance, of capitalists in this country refusing to invest their money in motor cycles here. We can not expect this condition to improve unless we are protected by these duties in a sufficient amount to offset the great difference in wages between laborers and mechanics in this country and laborers and mechanics in foreign countries. In fact, the only way we could hold our own, even under the disadvantages which exist to-day, would be to reduce the wages of employees in order to meet our foreign competitors whose plants are already well established, and whose mechanics and laborers can be secured for a mere pittance as compared with ours. We think that no steps should be taken on the part of the Government which would in any way result in a lessening of the wages of the laboring man.

We believe it to be good, sound, public policy on the part of our Government to foster all of these young industries which keep our money at home, create business and prosperity where none has existed before, and provide labor and wages for our American workmen.

Yours, very truly,

THE AUTO-BI COMPANY,
By JOHN W. VANALLEN, *Secretary.*

Digitized by Google

NIPPERS AND PLIERS.

[Paragraph 193.]

UTICA DROP FORGE AND TOOL CO., UTICA, N. Y., ASKS TO HAVE NIPPERS AND PLIERS CLASSED WITH CUTLERY.

THURSDAY, *December 10, 1908.*

The Utica Drop Forge and Tool Company, of Utica, N. Y., who manufacture nippers and pliers and no other product, are in the keenest competition with similar goods made in Germany, and desire to submit the following statement of facts:

We employ 90 to 110 men. Our annual pay rolls are from $48,000 to $55,000.

In 1902 the writer was in Rhenschide, Germany, seeing how tools similar to our product were made, and what wages were paid, which at that time were from 60 to 80 cents, our money, a day. Examination of the consular reports shows no increase in the German rates. In other words, we are paying our laborers on the average per man more than double what is paid for similar work in Germany. We should be pleased to submit pay roll showing wage paid for the various classes of laborers compared with similar classes in Germany.

We are the only plant in the country making no other product except that of nippers and pliers. The following is a list taken from the Iron Age Directory of 1906, showing the names of firms and addresses who make pliers in this country, but with them their nipper and plier line is a side line, where we are devoting our energy exclusively to the manufacture of high-grade American goods, fully guaranteed:

William Shollehorn Co., New Haven, Conn.; Vaughan & Bushnell Mfg. Co., Chicago, Ill.; Peckstow & Wilcox Co., 27 Murray street, New York City; Bridgeport Hdw. Mfg. Co., Bridgeport, Conn.; Athol Machine Co., Athol, Mass.; Billings & Spencer Co., Hartford, Conn.; Cronk & Carrier Mfg. Co., Elmira, N. Y.; Indianapolis Drop Forging Co., Indianapolis, Ind.; Kilborn & Bishop Co., New Haven, Conn.; J. M. King & Co., Waterford, N. Y.; Richmond Forgings Corporation, Richmond, Va.; Otis A. Smith, Rockfall, Conn.; Columbia Grey Iron Co., Columbia, Pa.; Smith & Egge Mfg. Co., Bridgeport, Conn.; D. Saunders Son, Yonkers, N. Y.; A. C. Williams, Ravina, Ohio.

Under the present tariff, pliers are imported into this country on payment of 45 per cent duty, being in the class of manufactured metals, making unfair competition.

We desire to be given a classing under cutlery, section 153, with penknives, etc., as the price of labor employed in the cutlery trade on the continent is quite similar to the price of labor paid in the production of nippers and pliers.

What we want is American made goods, paid for by American wages, with a tariff which will enable this industry to be built up, and price reduction to follow naturally by competition among our home makers, and we remain,

Very respectfully, yours,

UTICA DROP FORGE AND TOOL CO.,
Per W. KINGMAN WHITE, *President.*

Digitized by Google

SADDLETREES.

[Paragraph 193.]

JOSEPH BEVAN, NEWARK, N. J., ASKS FOR AN INCREASE OF FIFTEEN PER CENT DUTY ON SADDLETREES.

NEWARK, N. J., *December 17, 1908.*

Representative PAYNE,
Chairman Committee on Ways and Means,
Washington, D. C.

GENTLEMEN. I have been a manufacturer of saddletrees in the city of Newark, N. J., for the last forty years, but of late years have had a hard time making both ends meet, chiefly on account of importing houses. They can import goods and undersell us by 25 per cent. They must have their goods billed to them from the other side for less than cost, and, then not paying the full duty at the custom-house on this side, on account of the goods not being invoiced at the full cost in England, they get their goods through the custom-house for much less than others, who pay full charges on an honest invoice and full duty.

I have heard how it is done, but the trouble is we can not prove it. One thing I do know: Those people do undersell to our customers, and also supply our Government with saddletrees for less money than we can manufacture them, and thus deprive our workmen of the labor they should have.

I can not see myself how you can get at the back of those importers, but would suggest that the duty on all saddletrees (finished) be increased from 45 to 60 per cent and take the duty off all stirrup bars that are not attached to the saddletrees. We have inclosed two cuts of two saddletrees ready for the saddler. When they are imported this way, to pay full duty of 60 per cent, or on saddletrees alone, without the stirrup bars, to pay 60 per cent duty. But on the stirrup bars alone, they to be admitted free of duty. As there is no one in the United States who manufactures stirrup bars, it would not interfere with anyone. They are all imported, chiefly from England, inclosed on all kinds of stirrup bars.

We think if the stirrup bars alone were allowed in free of duty, and by adding 15 per cent on the present 45 per cent duty on finished saddletrees, making 60 per cent, we would be able to hold our own.

If there is anything in the above you do not quite understand I will give you all the information I can.

Yours, very truly, JOSEPH BEVAN.

SILVER WARE.

[Paragraph 193.]

STATEMENT OF SAMUEL L. BARBOUR, MERIDEN, CONN., REPRESENTING THE INTERNATIONAL SILVER COMPANY.

FRIDAY, *November 27, 1908.*

Mr. GRIGGS. Are you making any money?

Mr. BARBOUR. We are not in business for our health.

Mr. GRIGGS. You are making money?

Digitized by Google

Mr. BARBOUR. Yes; we are making money. I will be very brief, gentlemen.

The CHAIRMAN. Under what paragraph does this come?

Mr. DALZELL. It comes under manufactures of silver, does it not—paragraph 193—manufactures of metal?

Mr. BARBOUR. I have come here simply to lay before you gentlemen certain facts. I have no set speech or anything of that sort. The figures that I am going to give you are figures that I personally have taken from the pay rolls of English manufacturers. We are not asking for any change on the tariff—that is, we do not ask for any increase, but we trust that you will not be unwise enough to decrease it. I will give you a comparison of wages paid in the manufacture of silver-plated hollow ware between England and America, computed on a basis of a working day of ten hours. First, I will read the English price and then the United States price. I will not keep you ten minutes. Casters, 85 cents against $2. Stampers, $2 against $2.50. Buffers, $1.50 against $3. Solderers, $1.50 against $3. Chasers, $1.68 against $3.25. Engravers, $1.68 against $3. I am not giving you all prices. I am simply now giving you the average price, not the highest price. Burnishers, girls, 35 cents. In our company we pay men an average price of $2.50. The average price of ten departments is $1.49 a day against $2.92.

The helpers around the factory—boys—washing and carrying goods, and so forth, for England, 15 cents a day, and for America, 83 cents. Girls, 12½ cents in England; in America, $1.

Now, let me show you as to the matter of apprentices. You know in England they are great for apprentices. In England the average apprentice gets the first year 28 cents per day, while in this country he gets 67 cents; the second year 38 cents and in this country 33 cents; the third year 48 cents and in this country a dollar; the fourth year 58 cents and in this country $1.17. We terminate our apprenticeships on the fourth year and give them $75 bonus if they stay four years. Then they start in at from $2 to $2.50 a day. In England they give for the fifth year 68 cents, for the sixth year 78 cents, and for the seventh year $1, against our $2 to $2.50.

If you average these up, the skilled labor in England gets $1.75, as against $3 here, and unskilled labor 75 cents, as against our $1.75, and girls 12½ cents, against our $1; boys, 15 cents, against our 83 cents; apprentices 50 cents, against our $1.31, making a grand average of $2.51.

I have heard questions asked here, Mr. Chairman, to-day, that it seems the manufacturers could not answer, and I want to just read this to you, which I drew off. Provided factories in England were equipped with the same facilities and machinery, including capital invested, and the workmen produced the same amount of work per man per day as in America, any and all articles where the labor amounts to 60 per cent or over of the cost could be profitably imported under the present tariff. These articles comprise about 75 per cent of our production at the present time. Thus the tariff for our protection should be raised from 45 to 75 per cent ad valorem. But we do not ask it.

Mr. HILL. You claim that your superiority of organization offsets that difference?

Digitized by Google

Mr. BARBOUR. Absolutely; and I can explain that to you in detail if you gentlemen want to listen to it.

Mr. HILL. It does not cover the differences of wages, but you offset the difference by superiority in organization?

Mr. BARBOUR. Absolutely; absolutely.

The CHAIRMAN. That is understood.

Mr. BARBOUR. And if they proceeded to manufacture goods on the same principle that we do in this country, your 45 per cent duty would wipe the American manufacturers out of existence.

Mr. CLARK. The greater efficiency of the American workmen counts for as much as organization, does it not?

Mr. BARBOUR. Of the workmen?

Mr. CLARK. Yes.

Mr. BARBOUR. Fifty per cent of our workmen learn their trade in England.

Mr. CLARK. Is it not true that for some reason, I do not know what, the American workman turns out more work in a given length of time than the English workman does?

Mr. BARBOUR. That is what I told you. But why does he do it?

Mr. CLARK. I do not care why he does it.

Mr. BARBOUR. He goes to work for the American manufacturer, and that manufacturer gets more out of that man with his improvements in machinery, and his manner of going to work, and his dies, and so forth, and the system he has, than the English manufacturer does.

Mr. CLARK. You make a great display of difference in wages. Why do you not go at it and show the difference in output?

Mr. BARBOUR. In output?

Mr. CLARK. Yes, sir; per man per day.

Mr. BARBOUR. What do you mean by difference in output?

Mr. CLARK. Why, if an American workman is more efficient than an English workman he undoubtedly does more work. Well, if he does, then the cost to you or the manufacturer is based not on the number of hours he works or the amount of money he gets for the hours in the day, but for the amount that it costs to produce a given quantity and quality of work.

Mr. BARBOUR. Now, let me answer your question. If I should go to England—to Birmingham or Sheffield—and start a factory and hire English workmen, and I could get those workmen to work for me in Birmingham or Sheffield the same as I get them to work for me over in this country, you understand with a 45 per cent duty on silverware I could come over to this market and wipe out the American manufacturer.

Mr. CLARK. I know; but you do not go to Birmingham and you do not get the Englishman to work as you get an American to work, and you do not get the result. That is what I am saying. I want to ask another thing in that connection, and it is pertinent. How much more does it cost an American to live in a given style than it does an Englishman?

Mr. BARBOUR. I thank you for asking me that question. I will be delighted to answer it.

Mr. CLARK. I would like to have you answer it.

Digitized by Google

Mr. BARBOUR. I have been all through the English manufacturing districts, and I am thoroughly conversant with English manufacture, and the gentleman here this morning was computing on that.

Mr. CLARK. Mr. Longworth?

Mr. BARBOUR. Yes, Congressman Longworth. A witness here said that an Englishman would pay $48 a year rent for a house; that the house would cost $1,500, and the land on which it stood would cost $1,500, making $3,000, and he would rent that house for $48.

Mr. CLARK. Fifty-two dollars a year?

Mr. BARBOUR. Yes. Now, we all know he can not do it.

Mr. CLARK. No; I know he did not.

Mr. BARBOUR. The house cost him $600 and the land cost him $400, and instead of the one man living in that house there were two or three families living there.

Mr. CLARK. I knew that the house did not cost the man that sum at which Mr. Longworth put it.

Mr. BARBOUR. I appreciate your point, and it is perfectly correct. The point is this: An American workman does not save up—or a very few of them save up—any more money than an English workman; but, my gracious, compare their living!

Mr. CLARK. I am not asking you about their different styles of living; I am asking you about what the comparative cost would be for an English workman who lived in the same style that the American workman lived in.

Mr. BARBOUR. If the English workman would come to this country and live in the same style that he lived in in England, if he would wear homespun clothing instead of going to a tailor and having a suit made for $55 or $60; if he would wear a woven cap instead of a derby, would wear clog shoes instead of patent leathers, and would smoke a pipe instead of cigars, and when he went traveling would stop at a cheap hotel instead of the best, he could save 50 per cent of his wages.

Mr. CLARK. Why do you not answer the question I asked you?

Mr. BARBOUR. I am trying to answer.

Mr. CLARK. Take two men, an English workman and an American workman, and let them live in precisely the same style, one of them in England and the other in the United States, and what is the difference in the cost of living in a day or a week or a month?

Mr. BARBOUR. Let him draw the English wages in England?

Mr. CLARK. I do not care what wages he draws anywhere. What is the difference in the cost—what does the difference in the cost of living amount to?

Mr. BARBOUR. The difference?

Mr. CLARK. Yes.

Mr. BARBOUR. It would cost him one-third as much in England as it costs in America.

Mr. CLARK. To live as well in England as in America?

Mr. BARBOUR. No.

Mr. CLARK. That is the question I asked you.

Mr. BARBOUR. They can not do it.

Mr. CLARK. They surely can do it.

Mr. BARBOUR. They can not. Tell me where you can go in the city of Washington, say, and get a good piece of roast beef, with a potato and a cup of coffee and bread and butter, for 10 cents. I do not know. I am paying $5 a day for a room.

Digitized by Google

Mr. CLARK. I do not know anything about that. I am asking you what the difference in cost is—that is a plain question and a reasonable question—of living a week or a day in England and America.

Mr. BARBOUR. Between England and America?

Mr. CLARK. Yes.

Mr. BARBOUR. Between Sheffield and what place?

Mr. CLARK. Pittsburg or St. Louis.

Mr. BARBOUR. Between Sheffield and Pittsburg he could live for a third less. He could buy his clothes for half as much in England.

Mr. CLARK. He can buy his clothes for one-third, can he not?

Mr. BARBOUR. No; he could, but he can not now.

Mr. CLARK. A suit of clothes that costs $7 in London would cost $35 in Pittsburg.

Mr. BARBOUR. No, sir; you can get a suit of clothes in Pittsburg for $30, and in London you can get a dandy for $7.50; but the worst of it is that the Englishman who comes over here the first suit he buys is $12, and then the first thing you know he is going to a tailor and having a suit made and paying $55 or $60 for it.

Mr. CLARK. I know, but you can not tell the $5 English suit from the $7.50 Pittsburg suit.

Mr. BARBOUR. You can not?

Mr. CLARK. No, sir. I had a suit of broadcloth made here and my brother, who lived in Sydney, Australia, had a suit that cost him $34, and mine cost me $60, and you could not tell one from t'other.

Mr. BARBOUR. Australia is a different proposition.

Mr. CLARK. It is a part of England.

Mr. BARBOUR. But it is in an entirely different situation.

Mr. CLARK. You never did answer that simple question which I asked you.

Mr. BARBOUR. I would like to answer it if I could.

Mr. CLARK. You gave the difference in wages. I asked you two questions. I asked you to give the difference in output and the difference in living. If you will answer those two questions, in conjunction with what you stated just now we can get a fair conclusion about the difference between these two men.

Mr. BARBOUR. I say that a workman can live in Sheffield or Birmingham, England, on one-third of the price he can live for in this country.

Mr. CLARK. Yes.

Mr. BARBOUR. But he will not live as well. Is not that a fair answer?

Mr. CLARK. No, sir; you keep qualifying it. I say provided he does live as well, then what is the difference in the price of living in Sheffield and Pittsburg?

Mr. BARBOUR. They do not live as well.

The CHAIRMAN. Answer the question. Are provisions as high there as they are here?

Mr. BARBOUR. Of course they are not; rent is lower and everything is lower.

The CHAIRMAN. Answer the question, if you can, or else say you can not.

Mr. CLARK. I will find somebody some time or other who will answer that question.

Mr. BARBOUR. Would you ask me that question again?

Digitized by Google

Mr. CLARK. What is the difference, living in precisely the same style, what is the difference in cost for an American workman in Pittsburg or St. Louis and an English workman in Sheffield or Birmingham?

Mr. BARBOUR. If he lived precisely the same it would cost him 33⅓ per cent less in Sheffield.

Mr. CLARK. Yes.

Mr. BARBOUR. But he can not live the same.

Mr. CLARK. But you keep tacking that proposition on.

Mr. BARBOUR. Then I will simply answer the question by saying that if he lived in Sheffield he could live for 33⅓ per cent less. I will stop right there.

Mr. CLARK. That is all right. Well, I will waive it.

Mr. BARBOUR. But I do not think that you will find anybody who will say that he can live the same.

Mr. RANDELL. Can he not?

Mr. BARBOUR. No, sir; because he has got to jump from a certain level up to a higher level. There is no intermediate.

The CHAIRMAN. Are provisions higher or lower in Sheffield or in Pittsburg?

Mr. BARBOUR. They are lower in Sheffield.

The CHAIRMAN. Everything is lower. Is flour lower or beef lower?

Mr. BARBOUR. I am not a groceryman.

The CHAIRMAN. Do you not know that beef is lower in Sheffield than in Pittsburg?

Mr. BARBOUR. That is all very good. I appreciate the fact that you are all trying to get the facts here.

The CHAIRMAN. You do not seem to be giving us any on that subject.

Mr. BARBOUR. You take a workman in Sheffield, he does not eat meat over three times a week.

The CHAIRMAN. You have not been asked any such question as that.

Mr. BARBOUR. He will go to the market and buy his joint for 4 cents a pound and make a soup meat out of it, whereas here he must go and buy a steak or a roast.

Mr. CLARK. I thought you said he could get a steak for 10 cents and you could not here?

Mr. BARBOUR. I say you can go in Birmingham or Sheffield and get a good meal for 10 cents.

The CHAIRMAN. What you mean is that meat costs more here than bones do in Sheffield?

Mr. BARBOUR. That is about it; it is about the same.

Mr. CLARK. Go on. I will find somebody some time who will give up some information.

Mr. BARBOUR. Do you want me to file this [indicating paper]?

The CHAIRMAN. I want you to conclude as soon as you can. That is what I really want.

Mr. BARBOUR. All right. Here is a circular printed by an English manufacturer advertising a tray, duty paid, laid down in New York City. This is from Ellis & Co., of Birmingham, England. I would just like to quote you their price on this tray. Here is a tray that there is bitter competition on. Here is a letter from them; do you want to see it?

Digitized by Google

The CHAIRMAN. Go on; never mind your pictures. You promised you would only take five minutes, and you have had fifteen minutes.

Mr. BARBOUR. I beg your pardon, Mr. Chairman, I have had only eight minutes so far, and I will finish within ten minutes. Here are the figures on these trays. Their 8-inch tray is $4, as against our $4.31; the 10-inch tray $4.80, against our $4.36; their 14-inch tray is $8, against our $9.75; their 16-inch tray is $10, against our $12.71; their 18-inch tray is $12.80, against our $15; and the prices we are selling those trays at do not yield us 15 per cent profit.

Mr. RANDELL. Are you not one of the companies that organized into a trust?

Mr. BARBOUR. I do not know what a trust is. I thought a trust was against the laws of this country.

Mr. RANDELL. You do not want to give evidence against yourself?

Mr. BARBOUR. I thought it was against the law to be in a trust.

Mr. RANDELL. I will withdraw the question.

Mr. CLARK. Now, Mr. Witness, what is it you want?

Mr. BARBOUR. We do not want anything except for you to leave the tariff just where it is.

Mr. CLARK. How long have you been in this business?

Mr. BARBOUR. About twenty-six years.

Mr. CLARK. How much is your company capitalized for?

Mr. BARBOUR. Six million five hundred thousand dollars stock outstanding.

Mr. CLARK. How much money was put into it?

Mr. BARBOUR. How much money was put in?

Mr. CLARK. Yes, sir; how much real cash?

Mr. BARBOUR. I will answer that question by stating to you that the International Silver Company within the last eight months has been appraised by the American Appraisal Company. Do you know who the American Appraisal Company is?

Mr. CLARK. I have not the remotest idea.

Mr. BARBOUR. They are a company that take the entire property of a company and appraise it. They take a building from the foundation up and state what it will cost to replace it with contents, and they put on two valuations, the replacement valuation and the depreciated valuation. The replacement valuation is a little over $4,000,000 more than our capital. Stock depreciated valuation is $1,250,000 more. Does that answer your question?

Mr. CLARK. No, sir; it does not touch it, side, edge, top, nor bottom. [Laughter.] I asked you how much money had been put in your company, actual cash.

Mr. BARBOUR. Cash?

Mr. CLARK. Yes, sir; cash.

Mr. BARBOUR. I could not answer your question because we did not put in cash; we put in plants, machinery, tools, dies, and fixtures.

Mr. CLARK. They had a fixed value, did they not?

Mr. BARBOUR. The International Silver Company has to-day $6,500,000 of preferred stock and $800,000 of common stock.

Mr. CLARK. How much did it cost?

Mr. BARBOUR. It could not be replaced under $10,000,000.

Digitized by Google

Mr. CLARK. That is not the answer to that question. How much did it cost?

Mr. BARBOUR. Do not know what you mean.

Mr. CLARK. It surely cost you something, did it not?

Mr. BARBOUR. Why, yes.

Mr. CLARK. Well, how much?

Mr. BARBOUR. How do you want me to tell you what it cost?

Mr. CLARK. I want you to tell me how much money was put into that company. Now, you either know or you do not know. If you do not know, say so. If you do know, tell us.

Mr. BARBOUR. Well, if you took all the molds and dies in the International Silver Company and replaced them at the actual cost, as well as the machinery and tools and buildings, you could not do it under $20,000,000.

Mr. CLARK. Did you pay $1,000,000 into that thing or not? That is, was there ever a million of dollars put into this industry that you represent here?

Mr. BARBOUR. A million dollars of money? Yes; cash on hand, by the various plants.

The CHAIRMAN. Oh, answer that question, or say you can not. Answer it, now, and get through with it.

Mr. BARBOUR. Do you call buildings and machinery money?

REED & BARTON, SILVERSMITHS, ASK FOR THE RETENTION OF THE PRESENT DUTY ON SILVERWARE.

BOSTON, MASS., *December 1, 1908.*

Col. ALBERT CLARKE,
Hotel Hamilton, Fourteenth and K streets, N. W.,
Washington, D. C.

DEAR MR. CLARK: As I wrote you some time since the silversmiths would be content with a retention of the duty as it is—45 per cent ad valorem—and I herewith hand you schedule of prices which appertain in England and prices which are paid for the same labor in the United States. We pay from two to four times as much for labor in this country as they do in England and from two to six times as much as they do in France or Germany. This I get from personal visits to these countries, and I herewith append schedule of prices sent by the American consul from Sheffield, England. It would not be possible for us to compete with the foreign producers on silverware in case the duty was lowered below 45 per cent ad valorem, for even with this duty quite a good deal of silverware comes in at the present time from foreign producers.

Very respectfully,

REED & BARTON,
WILLIAM B. H. DOWSE,
President.

Digitized by Google

EXHIBIT A.

Comparison of prices paid for labor in England and the United States.

	England.	United States.
	Per year.	*Per year.*
Bookkeepers	$500.00 to $750.00	$1,040.00
Packers	400.00 to 500.00	686.25
Designers	800.00 to 1,000.00	1,753.75
Modelers	600.00 to 800.00	1,067.50
Die sinkers	500.00 to 600.00	1,220.00
Rollers	400.00 to 450.00	533.75
Blankers	400.00 to 450.00	610.00
Stampers	500.00 to 1,000.00	762.50
Molders (sterling)	650.00 to 750.00	915.00
Molders (nickel silver)	500.00 to 600.00	762.50
	Per week.	*Per week.*
Casters (white metal) female	3.00 to 3.75	13.50
Filers	8.75 to 10.00	10.50
Fitters (white metal)		13.50
Solderers (H. W.)		16.50
Spinners	10.00 to 15.00	24.00
Saw piercers	12.50 to 20.00	13.50
Polishers (English-colorer)	12.50 to 20.00	.....
Sand bobbers	3.00 to 3.75	16.50
Chasers	8.75 to 12.50	19.50
Engravers	8.75 to 15.00	18.00
Platers	12.50 to 22.50	13.50
Gilders (female)	5.00	15.00
Etchers	.....	13.50
Buffers	7.50 to 20.00	16.50
Finishers	12.50 to 20.00	15.00
Burnishers	3.75 to 7.50	12.00
Photographers	.....	15.00
Carpenters	7.50 to 8.00	15.00
Machinists	.....	15.00
Tool makers	.....	16.50
Pattern makers	.....	15.00
Engineers	12.50	18.00
Plumbers	.....	13.50
Steam fitters	.....	13.50
Blacksmiths	.....	15.00
Mixers German and silver metals	7.50 to 20.00	[illegible].00

EXHIBIT B.

AMERICAN CONSULAR SERVICE,
Sheffield, England, February 28, 1908.

W. B. H. DOWSE, Esq.,
Counselor at Law, Boston, Mass.

DEAR SIR: I have the honor to acknowledge the receipt of your letter of February 13, and in reply thereto to inclose herewith the schedule you inclosed filled out so far as it applies to the firm you mentioned. These figures were furnished me by Messrs. James Dixon & Sons, Cornish place, of this city, and in return for their courtesy they ask me to furnish them with a like list of wages paid for similar labor in America. Assuming that you can do this I ask you to oblige me; if, however, I am wrong in this assumption and you are unable to furnish me with these figures please advise me of that fact and I will try and obtain them elsewhere. I have promised Messrs. Dixon & Sons I would obtain these figures for them, and as I find reciprocity in such matters tends to make the obtaining of information here easier for me I shall try and keep my promise.

With the hope that I may have your early reply, I am,

Very truly, yours,

CHAS. N. DANIELS,
American Consul.

Digitized by Google

Comparison of prices paid for labor in England.

		£	s.		£	s.
Bookkeepers	per annum	100	0	to	150	0
Packers	do	80	0	to	100	0
Designers	do	160	0	to	200	0
Modelers	do	120	0	to	160	0
Die sinkers	do	100	0	to	120	0
Rollers	do	80	0	to	90	0
Blankers	do	80	0	to	90	0
Stampers	do	100	0	to	200	0
Molders (sterling)	do	130	0	to	150	0
Molders (nickel silver)	do	100	0	to	120	0
Casters (white metal), female	per week	0	12	to	0	14
Fitters (white metal) / Solderers (H. W.)	do	0	35	to	0	40
Spinners	do	0	40	to	0	60
Saw piercers	do	0	50	to	0	80
Polishers (English colorer)	do	0	50	to	0	80
Sand bobbers	do	0	12	to	0	15
Chasers	do	0	35	to	0	50
Engravers	do	0	35	to	0	60
Platers	do	0	50	to	0	90
Gilders, female	do	0	20			
Buffers	do	0	30	to	0	80
Finishers	do	0	50	to	0	80
Burnishers	do	0	15	to	0	30
Carpenters	do	0	30	to	0	40
Engineers	do	0	50			
Mixers German and silver metals	do	0	30	to	0	80

JAMES DIXON & SONS,
Per WM. BEUMONT,
General Manager.

SUPPLEMENTAL STATEMENT SUBMITTED BY S. L. BARBOUR, SHOWING COMPARATIVE LABOR COST OF SILVERWARE MAKING IN THIS COUNTRY AND ENGLAND.

MERIDEN, CONN., *December 9, 1908.*

Hon. E. J. HILL, M. C.,
Ways and Means Committee, Washington, D. C.

MY DEAR MR. HILL: Yours of December 8 duly received. I forwarded you the papers in question for you to use as you saw fit. Am perfectly willing that they should be filed with the committee and printed with the hearings.

I have given a great deal of thought to this matter, and have communicated with several manufacturers since I saw you, and am satisfied that it would be a very great injustice to the workmen of this country if the duty on silverware is reduced, as, if there is a reduction, it is bound to come out of the wages of the workmen and not out of the manufacturers, as the manufacturers are selling on the closest margin of profit possible consistent with good business sense.

With kind regards, and again thanking you for your interest in this matter,

Yours, very sincerely, S. L. BARBOUR.

Digitized by Google

MERIDEN, CONN., *December 4, 1908.*

Hon. E. J. HILL, M. C.,
Ways and Means Committee, Washington, D. C.

MY DEAR MR. HILL: As requested by you, I am sending you inclosed the figures shown you when in Washington, showing the difference in wages paid in the different departments; that is, the average wage paid in England as compared with that paid in American factories, and also showing our extreme prices.

Am also inclosing memorandum showing prices paid apprentices. This is a very important matter, as in the English factories they will average pretty nearly one apprentice to a workman, whereas we do not average in an ordinary American factory more than one apprentice to every fifty workmen. This is due to the fact that it is very hard in the United States to get boys to work at a trade, as they are not willing to work for a moderate wage for four years, knowing that at the end of such time they can make more money than they otherwise would, but they would rather take up a line of business where they can make more money from the beginning.

The English manufacturers are increasing their trade in the United States very much. At the present time the worst competition we have is on trays and double-locking vegetable dishes.

I am inclosing memorandum giving you an example of the difference in price on a vegetable dish that is sold very largely in this country by English manufacturers. You will see that with a duty of 45 per cent, to which should be added the cost of freight and marine insurance, which amounts to about 5 per cent, the Englishman is enabled to lay his dish down in this country slightly under the cost to ourselves. On this particular item, and same applies to numerous other articles, a duty of 70 per cent would very little more than protect us.

The writer is satisfied that there is no manufacturer of silverplated ware in the United States but what would regret it exceedingly if the tariff was in any way lowered, yet at the same time I do not know of any that desire to have it increased, and I trust that your honorable committee will allow same to remain as it now is.

One thing is certain; if the tariff is reduced it is bound to lead to a reduction of wages, for the reason that silverware is sold at a very close margin of profit and is very expensive to handle, and the manufacturer who clears 10 per cent profit at the end of the year is doing very well.

If there is any further information that I can give you, you know I am yours to command.

Thanking you for the courtesy extended to me when in your city, I beg to remain, with kindest regards,

S. L. BARBOUR,
Secretary Executive Committee International Silver Company.

Digitized by Google

EXHIBIT A.

Comparison of wages paid in the manufacture of silver-plated hollow ware between England and America, computed on a basis of a working day of ten hours.

	Average England.	Average America.	Highest America.
Casters	$0.85	$2.00	$2.50
Stampers	2.00	2.50	2.75
Spinners	1.68	3.00	3.75
Buffers	1.50	3.00	3.50
Solderers	1.50	3.00	3.75
Piercers	2.00	3.50	3.50
Chasers	1.68	3.25	4.00
Engravers	1.68	3.00	3.50
Platers	1.68	3.50	4.50
Burnishers	[a] .35	[b] 2 50	3.00
	14.92	29.25	34.75
Average, 10 departments	1.49	2.92	3.47
Boys	[c] .15	[d] .83	.....
Girls	[c] .12½	[e] 1.00	.....
	.27½	1.83	.....
Average	.14	.91	.....

[a] Girls. [b] Men. [c] Twelve to 15 years. [d] Sixteen to 18 years. [e] Eighteen years and above.

APPRENTICES.

	England.	America.
First year	$0.28	$0.67
Second year	.38	.83
Third year	.48	1.00
Fourth year	.58	1.17
Bonus for faithful service	.....	[a] 75.00
Fifth year	.68	[b] 2.50
Sixth year	.78	[b] 3.00
Seventh year	[a] 1.00	[b] 3.50
	4.18	12.67
Average	.59	1.81 and $75

[a] Terminates. [b] Regular wages according to ability.

Comparison of wages paid in the manufacture of silver-plated hollow ware between England and America, etc.—Continued.

AVERAGES.

	England.	America.
Skilled	$1.75	$3.00
Unskilled	.75	1.75
Girls	.12½	1.00
Boys	.15	.83
Apprentices	.59	1.81
Grand average	1.25	2.50

ARGUMENT.

Provided factories in England were equipped with the same facilities and machinery, capital invested, and the workmen produced the same amount of work per man per day as in America, any and all articles where the labor amounts to 60 per cent or over of the cost

Digitized by Google

could be profitably imported under the present tariff. These articles comprise about 75 per cent of our production at the present time. Thus the tariff for our protection should be raised to 70 per cent ad valorem, but we do not ask it.

EXAMPLE.—*Double interlocking vegetable dish.*

	England.	America.
Nickel silver, 3½ pounds *	$0.94½	$1.22½
Labor	1.51	3.03
	2.45½	4.25½
Duty, 45 per cent; freight and insurance, 5 per cent	1.23	
	3.68½	3.68½
In favor of England		.57

* England, 27 cents per pound; America, 35 cents per pound.

This article sells for $6 net, from which must be deducted the cost of selling, packing, collecting, bad debts, etc.

	England.	America.
Cost	2.45½	4.25½
Duty, 70 per cent; freight and insurance, 5 per cent	1.84	
	4.29½	4.25½

SNAP FASTENERS.

[Paragraph 193.]

THE UNITED STATES FASTENER COMPANY, BOSTON, MASS., ASKS AN INCREASE OF THIRTY PER CENT IN DUTY.

BOSTON, MASS., *December 1, 1908.*

Col. ALBERT CLARKE,
Hotel Hamilton, Washington, D. C.

DEAR Mr. CLARKE: It is the desire of the manufacturers of snap fasteners which are made of metal and which come under that part of the tariff schedule known as "Schedule C, Metals and manufactures of," that the tariff should be increased from 45 per cent ad valorem to 75 per cent ad valorem. Any reduction of the present tariff would completely annihilate this business, which has only been in existence since about 1890, and which did not rise to proportions of any special size until some years after that time. The competition in certain lines of these fasteners known as sew-on snap fasteners has been so great as to completely kill our trade in this class of goods.

There has been for a number of years past sew-on fasteners brought in from Germany and sold on the New York market at 15 cents per gross, which was less than the factory cost for producing the goods in the United States. The effect of this importation of sew-on fasteners has been to completely kill the manufacture of this class of fasteners in the United States, and these fasteners pay a tariff of 45

Digitized by Google

per cent ad valorem. The cost of the metal in Germany, France, and America is substantially the same, and the ability to bring in these fasteners at the price named is due to the fact that the labor in Germany and France is so far below that of the United States. If the duty on this class of goods is not increased the manufacturer of snap fasteners commonly used on gloves and other articles of wearing apparel will in time be completely ruined in this country. We append herewith a schedule of comparison of prices paid for labor in France and in the United States. The prices paid in other countries of Europe are below those paid even in France. The competition between domestic manufacturers is such that these goods are sold to the consumers in the United States in many cases at about factory cost.

By the appended figures you will see that we pay from two to four times as much for labor in the United States as is paid in France.

Yours, respectfully,

WM. B. H. DOWSE, *President.*

EXHIBIT A.

AMERICAN CONSULAR SERVICE,
Grenoble, France, March 27, 1908.

WM. B. H. DOWSE, Esq.,
Counselor at Law, 95 Milk street, Boston, Mass.

DEAR SIR: I beg to acknowledge the receipt of your favor of January 20, 1908, requesting me, if possible, to obtain for you the prices paid for labor in Grenoble in such a fastener factory as that of Raymond or Barthelon. The first-mentioned firm, after some hesitation, having consented to furnish this information, I have now the pleasure to transmit you the same on the inclosed separate sheet. I also return herewith your original schedule.

Always at your service, I remain,

Very truly, yours,

C. P. H. NASON, *American Consul.*

Prices paid for labor in a press-button and fastener manufactory at Grenoble, France, 1908.

	Per month
Bookkeeper	$40
Assistant bookkeeper	$25 to 30
Entry clerk	20 to 24
General office clerk	60 to 70
Shipper	30
Stenographer and typist	24
Superintendent	100
Watchman	16
Foreman	70
Forewoman	30
Engineer	80

	Per day.
Diesinker	$1.20 to $2.40
Electrician	1.20
Stamper	1.50
Tool maker	1.00 to 1.30
Plater	.90 to 1.00

Digitized by Google

	Per day.
Lacquerer, japanner, packer	$0.80 to $0.90
Machinist	.90
Women	.45 to .55
Men	.75 to .85
Women (piecework)	.60 to .65

A day's labor is nine hours for women and nine and one-half for men.

Comparison of prices paid for labor in the following countries.

	United States.	France.
	Per month.	*Per month.*
Bookkeeper	$52.00	$40.00
Assistant bookkeeper	43.00	$25.00 to 30.00
Entry clerk	34.00	20.00 to 24.00
General office clerk	$34.00 to 43.00	60.00 to 70.00
Shipper	52.00 to 78.00	30.00
Stenographer and typist	43.00	24.00
Superintendent	150.00	100.00
Watchman	69.00	16.00
Foreman	106.00	70.00
Forewoman	52.00 to 58.00	30.00
	Per day.	*Per day.*
Diesinker	$3.50 to 5.00	$1.20 to 2.40
Electrician	3.00	1.20
Stamper	2.00	1.50
Tool maker	3.25 to 3.50	1.00 to 1.30
Plater ($0.50 to $1.12½, $2.75 to $0.67)	.....	.90 to 1.00
Lacquerer, japanner, packer	.....	.80 to .90
Machinist	3.00	.90
Women	1.00	.45 to .55
Men	1.50 to 2.00	.75 to .85
Women, piecework	1.00	.60 to .65

A day's labor in France is nine hours for women and nine and one-half hours for men.

SURGICAL INSTRUMENTS.

[Paragraph 193.]

THE LOGAN COUNTY (W. VA.) MEDICAL SOCIETY ASKS FOR LOWER DUTIES ON SURGICAL INSTRUMENTS.

LOGAN, W. VA., *December 16, 1908.*

SERENO PAYNE,
Chairman Ways and Means Committee, Washington, D. C.

MY DEAR SIR: A resolution was passed by our society directing me to call attention of your committee to the tariff on surgical instruments, there being no section specifically providing for the same in the present schedule, and the necessity of every country physician having a complete outfit by reason of hospital facilities in the country, and especially in mining districts. Surgeons are very poorly paid except in cities, where up-to-date hospitals are plentiful and one outfit suffices for each hospital, and it certainly puts the hardship on the country surgeon. We are certainly meritorious of cheaper instruments, and direct your attention and ask a separate schedule for same, with a revenue basis only.

Very respectfully,

J. E. MCDONALD,
Secretary Logan County Medical Society.

Digitized by Google

HON. A. B. CAPRON, M. C., FILES LETTER OF JOHN M. PETERS, M. D., PROVIDENCE, R. I, ASKING THAT SURGICAL INSTRUMENTS AND APPLIANCES BE FREE OF DUTY.

PROVIDENCE, R. I., *December 17, 1908.*

Hon. ADIN B. CAPRON,
Washington, D. C.

MY DEAR MR. CAPRON: The question has been raised among hospital people of the possibility of securing an elimination in duty or having put on the free list such instruments, appliances, and apparatus as are used in general hospitals.

As I understand it, as the matter now stands, only schools of learning, such as universities, colleges, and other educational institutions, are permitted to import free of duty such instruments as are needed in their places for teaching.

It strikes all of us who are connected with hospitals, which, surely, are charitable institutions if any such exist, that it is at least unjust that they be taxed for such articles as they use, and to pay for the same be obliged to call on the charitably inclined of the different communities to pay for such duty.

I have spoken to Mr. Bates about the matter and he suggested that I write directly to you and that he thought you would be good enough to advise me as to the best method of going about to try to reduce or to eliminate the duty on such instruments and appliances as are used in charitable institutions.

If you will look up the matter at your convenience and advise me, I would appreciate it thoroughly and can then better take up the matter with the other members of the American Hospital Association, which is made up of representatives from several hundred of the largest hospitals scattered over the country.

Thanking you sincerely in advance for your courtesy, I beg to remain,

Respectfully, yours,

JOHN M. PETERS, M. D., *President.*

THE AMERICAN HOSPITAL ASSOCIATION ASKS THAT SURGICAL APPLIANCES BE ADMITTED FREE OF DUTY.

PROVIDENCE, R. I., *January 6, 1909.*

Hon. SERENO E. PAYNE,
Chairman of Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR SIR: Respectfully representing the American Hospital Association, an organization representing 413 hospitals of the United States located in important cities and towns, rendering medical and surgical aid free of charge to many hundreds of thousands of the poor and depending to a large extent upon public charity for the successful financial management of such institutions, I find that the various institutions included under its organization, and have knowledge of many others not so included, are handicapped by the average duty of 40 per cent now imposed by law on surgical instruments, appliances, and apparatus.

To that end a petition is respectfully made to your honorable committee to have incorporated in the proposed tariff bill, now

Digitized by Google

under consideration by you, a provision allowing such instruments, appliances, and apparatus to come in free of duty.

Approximately 40 per cent of such articles are at present imported from England, Germany, and Austria.

As expressive of our ideas, we suggest an amendment to paragraph 638 of the present tariff act so that as amended it will read as follows:

Philosophical and scientific apparatus, utensils, instruments, and preparations, including bottles and boxes containing the same, specially imported in good faith for the use and by order of any society or institution incorporated or established solely for religious, philosophical, educational, scientific, or literary purposes, or for the encouragement of the fine arts, or for the use or by order of any college, academy, school, or seminary of learning in the United States, or any state or public library, and not for sale, and all medical and surgical instruments, appliances, and apparatus specially imported in good faith for the use and by order of any incorporated hospital, asylum, or other institution rendering medical or surgical aid to the public or any portion thereof free of charge, and whose expenses are borne wholly or in part by public funds or by private subscription, said articles to remain the permanent property of such hospital, asylum, or other institution, subject to such regulations as the Secretary of the Treasury shall prescribe.

Yours, respectfully,

JOHN M. PETERS, M. D.,
President American Hospital Association.

HON. D. L. D. GRANGER, M. C., SUBMITS COMMUNICATION OF THE SECRETARY OF RHODE ISLAND HOSPITAL RELATIVE TO SURGICAL INSTRUMENTS.

OFFICE OF THE SECRETARY,
Providence, R. I., January 8, 1909.

Hon. D. L. D. GRANGER, M. C.,
Washington, D. C.

DEAR SIR: Referring to the petition of the American Hospital Association as to the amendment to paragraph 638 of the present tariff act, which has already been presented to you, I am instructed by the board of trustees of the Rhode Island Hospital to heartily indorse the same and to urge the adoption of such amendment.

Yours, respectfully,

EDWARD ABORN GREENE,
Secretary Rhode Island Hospital.

TEXTILE MACHINERY.

[Paragraph 193.]

BRIEF SUBMITTED BY MAKERS OF TEXTILE MACHINERY, ASKING RETENTION OF PRESENT DUTIES.

BOSTON, MASS., *November 25, 1908.*

Committee on Ways and Means, Washington, D. C.:

GENTLEMEN: As president of the Lowell Machine Shop and on behalf of a committee representing the principal manufacturers of

Digitized by Google

textile machinery in this country, I desire to submit to you a brief statement showing why the duty on imports of this character should be maintained at at least the present rate.

Machinery of this description is now and has been in the past included in the general paragraph at the end of Schedule C—in the present tariff paragraph 193, "Articles or wares not specially provided for in this act, composed wholly or in part of iron, steel, lead, copper, nickel, etc.," on which is imposed a duty of 45 per cent ad valorem.

We do not ask to have this rate increased on textile machinery, but we submit that the rate should remain unchanged in the new tariff. We understand that the platform of the Republican party as adopted in Chicago and as interpreted in the speeches of the President-elect, in respect to revision of the tariff, contemplates that the new tariff shall impose "such duties as will equal the difference between the costs of production at home and abroad, together with a reasonable profit to American industries."

If the rate of duty on textile machinery is reduced from the present rate, it will be in violation of this portion of the Republican platform. The only foreign country engaged in the manufacture of this form of machinery to any appreciable extent is England. England does more than three times as much textile manufacturing as the United States, and manufactures much more than three times as much textile machinery as the United States. The shops for the manufacture of textile machinery in England have been established for generations, and several of them are many times larger than any of the American shops. They are abundantly supplied with capital, and the cost of their plants is probably not greater than 60 per cent of the cost of the plants in America. Competition with this country in the manufacture of textile machinery always has been and still is keen, and while the textile-machinery manufacturers of this country now produce a very large proportion of the cotton machinery used in this country, a substantial amount of it is still imported. Most of the worsted machinery used in this country is imported from England, though the American shops are making year by year a better product and are gradually gaining in this branch of the business.

AMOUNT OF CAPITAL AND NUMBER OF MEN EMPLOYED.

The capital employed in the manufacture of textile machinery may be roughly estimated at approximately $40,000,000, and the number of men employed at, say, 20,000.

PREVIOUS TARIFFS.

Prior to the Wilson tariff, the rate of duty was the same as it now is—45 per cent. The Wilson tariff reduced the duty to 35 per cent, and the present tariff restored the rate to 45 per cent in 1897.

As hereafter shown, the increase in wages in this country (they have decreased slightly in England) during the life of the present tariff more than offsets in cost of production the increase in the rate of duty from the Wilson tariff to the present tariff.

EARNINGS OF THE BUSINESS.

The most accurate figuring we are able to make shows a net return on the capital invested in the American manufacture of textile machinery of approximately 7½ per cent. The amount invested in the

business is nearly twice as much as the volume of sales each year and the net return on the gross sales of about 14 per cent means a net return on capital of only 7½ per cent; a very low return for any manufacturing business. We present herewith

THE COMBINED FIGURES OF THREE OF THE OLDEST AND LARGEST SHOPS.

The figures given are the averages for the past ten years, covering practically the period of the present tariff.

Amount of cash capital invested in the three shops referred to, including costs of plants and working capital	$14,500,000
Total business of the three shops per year	$7,700,000
Total profit of the three shops per year	$1,071,000
Percentage of profit to capital invested, approximately	7½
Percentage of profit to business done, approximately	14

It is a fact that the English textile machinery manufacturers can add the present duty to their cost of production and yet sell their machinery in this country at prices lower than the American cost and still make a profit.

To illustrate, let us take the average business per year during the period covered by the present tariff of the three shops referred to.

As above stated these three shops have averaged to sell per year a total of $7,700,000; deducting the profit shown above leaves for the actual cost of this machinery, without allowance for interest or other return on the amount invested, $5,629,000.

Of this cost labor is approximately 50 per cent	$2,814,500
And material approximately 50 per cent	2,814,500

The English cost of labor in their shops making similar machinery is something less than 50 per cent of the American cost, and their materials may be estimated to cost not in excess of 75 per cent of the American cost.

Applying these figures would make this same machinery cost in England:

Labor, 50 per cent of American cost	$1,407,250
Materials, 75 per cent of American cost	2,110,875
Total English cost	3,518,125
Add for duty 45 per cent	1,583,156
Total cost, plus 45 per cent duty	5,101,281
Margin for profit to English manufacturers, between cost in England and cost in the United States	527,719
	5,629,000

This margin allows the English manufacturers a substantial profit in spite of slight additional costs for packing and, in certain instances, for freights, and still permits laying their machinery down here at the American cost.

As a matter of fact, the freights to southern points from England would very slightly, if at all, exceed the same freights from New England, and in many cases would be less.

To New England points not on the seacoast the American manufacturer would have a slight advantage, but in many cases, such as the great textile centers of New Bedford, Fall River, and Philadelphia, there would be no advantage to American manufacturers.

As above stated, these three shops represent an investment in this country of $14,400,000, of which at least $11,000,000 is actually in

Digitized by Google

the plants. These same plants could be built in England for probably not exceeding $7,000,000. Neither would the English shops require as much quick capital as the American shops because of cheaper labor and materials, and the $3,400,000 quick capital here could safely be cut down to less than $3,000,000. The English shops then would represent an investment of less than $10,000,000. Referring once more to the tables above if we add a profit of 4 per cent on capital invested in the English shops, say $400,000, to the English cost of production, $3,518,125, and then add the 45 per cent duty to the $3,918,125, we find that the result substantially equals the American cost. In other words, the English textile machinery manufacturer can sell in this country at the American cost of manufacture and still make a profit of 4 per cent on the capital invested.

In other words, if the tariff were reduced, and English manufacturers were content with a fair profit, they could wipe out the business of the American manufacturers. The shops of the American manufacturers have been built up simply for the manufacture of textile machinery, and with that business taken away from them the shops would be practically valueless. Nearly all of them are away from large cities and if not used for the manufacture of textile machinery would probably be abandoned.

The figures of the three shops above referred to are taken from the books of the companies and are subject to absolute verification. In the above figuring the rate of wages in this industry in England is assumed to be 50 per cent of the rate in the United States. As a matter of fact, our own investigations lead us to the conclusion that the actual wages paid in England are more nearly 45 per cent of the wages paid in this country than 50 per cent. This is partly because of the large number of "lads" or boys employed in England. In this country, taking Massachusetts and Rhode Island, where most of the textile machinery is made, the figures of United States Census Bulletins Nos. 53 and 36 show in 1905 a total of 40,142 workers in foundries and machine shops, of which only 317 are under 16 years of age. We annex tables from authoritative sources comparing wages in England and America; on each table is indicated its source.

IMPORTATIONS UNDER THE PRESENT TARIFF.

The reports of the Bureau of Statistics show a steady gain in importations of machinery from the United Kingdom during the present tariff. In 1897 such importations amounted to only $945,380; whereas in 1907 they amounted to $2,845,357. Our own investigations at the port of Boston tend to show a similar increase. Our estimate of the importations of textile machinery in Boston alone show a gain from $850,850 in the year 1898 to $2,113,528 in the year 1907.

INCREASE IN WAGES.

During the period of the present tariff in this country wages in this industry have increased from 15 to 20 per cent. As the cost of production in this industry is made up one-half of wages, an increase of wages of 20 per cent amounts to an increase in cost of production of 10 per cent. During these years the rate of duty has remained unchanged, whereas, as just shown, the increase in cost of production of machinery due to wages alone amounts to at least 10 per cent, and adding the increase in cost of materials the total cost of produc-

Digitized by Google

tion is increased probably at least 20 per cent. In England, on the other hand, the wages have decreased somewhat and the increase in cost of materials has not been nearly as great in comparison as it has been in the United States.

The fairness and accuracy of the figures above given, taken from actual results of three well-known, long-established shops, are shown by the figures in the United States Census Bulletins Nos. 53 and 36. These figures show that in the foundry and machine shop industries the return on capital invested in 1905, as estimated by the census officials, was 10 per cent in Massachusetts and 7 per cent in Rhode Island, and that the total product in the year 1905 equaled 78.5 per cent of the investment in Massachusetts and 58.8 per cent in Rhode Island. The accuracy of our statement of the percentage which wages bear to the total cost of production is shown by the same bulletin.

In spite of the present duty of 45 per cent it has been possible for the English manufacturers to lay their goods down here as cheaply or cheaper than the American goods can be sold profitably here.

EXPORTS OF MACHINERY.

There have been no exports of American-made textile machinery except in isolated cases where the foreign manufacturer was anxious to try the higher-priced American machinery on account of certain special or patented features. There is absolutely no such thing as competition abroad between American-made machinery and English-made machinery. This is not because of superior quality in the English machinery, but simply because the English manufacturers can afford to sell and do sell and make a profit at prices which would not repay the American cost.

PROFITS.

The return to the capital invested in this industry is, as above stated, approximately 7½ per cent. This is certainly not more than a fair return for a carefully managed industrial business. The American shops represent the experience, labor, and savings of generations; that there is no undue profit in the business is proved by the fact that there has been substantially no new capital put into this business during the period of the present tariff. Instead, certain shops have gone out of business because of their inability to make a reasonable profit, and certain of the larger shops have in some years made actual losses.

The passage of the Wilson tariff was followed in this industry by an immediate and serious loss of business and by a necessary reduction both in the wages paid and the number of men employed. As already stated the present tariff on account of the rise in wages in the United States (and not in England) is now no more favorable to this industry than the Wilson tariff.

One word more as to the extent of the industry. It is confined in this country almost entirely to New England and largely to Massachusetts and Rhode Island. It is a very important industry in both of these States. Bulletin No. 53 says in reference to foundries and machine shops in Massachusetts:

> The value of the products of these establishments placed the industry third in rank in 1905 and in 1900. Massachusetts is not to any considerable extent a producer of iron and steel, but the value of the machine-shop products has for

Digitized by Google

years been of sufficient importance to place the State among the first six in the United States in this industry. While the varieties of machines turned out in these plants are far too numerous to permit of enumeration, there are two classes for which the State is justly famous and entitled to credit, namely, textile and boot and shoe machinery.

In Rhode Island it is likewise the third most important industry in the State.

The manufacture of textile machinery in this country is a long established and highly creditable industry and well deserving of the protection afforded by the present tariff without which it can not be maintained.

Respectfully submitted.

ROBERT F. HERRICK,
For Manufacturers of Textile Machinery.

EXHIBIT A.—No. 54. BULLETIN OF THE BUREAU OF LABOR OF THE UNITED STATES.

Wages in leading occupations in the United States and in Great Britain, 1890 to 1903.

Year.	Blacksmiths.		Iron molders.	
	Wages per hour.		Wages per hour.	
	United States.	Great Britain.	United States.[a]	Great Britain.
1890	$0.2677	$0.1652	$0.2540	$0.1678
1891	.2681	.1650	.2565	.1678
1892	.2672	.1671	.2548	.1677
1893	.2677	.1654	.2557	.1683
1894	.2617	.1674	.2472	.1680
1895	.2602	.1695	.2476	.1700
1896	.2643	.1716	.2507	.1698
1897	.2604	.1740	.2525	.1756
1898	.2587	.1747	.2503	.1764
1899	.2637	.1770	.2568	.1790
1900	.2685	.1724	.2694	.1790
1901	.2757	.1722	.2739	.1766
1902	.2844	.1742	.2894	.1765
1903	.2951	.1740	.3036	.1787

Year.	Laborers, general.		Machinists.	
	Wages per hour.		Wages per hour.	
	United States.[b]	Great Britain.	United States.[c]	Great Britain.
1890	$0.1507	$0.0948	$0.2409	$0.1584
1891	.1511	.0984	.2426	.1594
1892	.1519	.0950	.2452	.1590
1893	.1493	.0954	.2443	.1585
1894	.1419	.0955	.2336	.1588
1895	.1440	.0950	.2338	.1590
1896	.1415	.0958	.2388	.1607
1897	.1445	.0975	.2391	.1663
1898	.1466	.0997	.2374	.1654
1899	.1457	.1015	.2415	.1685
1900	.1461	.1022	.2484	.1684
1901	.1585	.1028	.2560	.1677
1902	.1643	.1052	.2644	.1691
1903	.1675	.1019	.2707	.1677

[a] The wages shown for the United States are for iron molders in the foundry and machine shop industry only.
[b] The wages shown for the United States are for laborers in the building industry only.
[c] The wages shown for the United States are for machinists in the foundry and machine shop industry only.

Digitized by Google

EXHIBIT B.—FOUNDRY AND MACHINE SHOP WORKERS.

Rates of wages per hour.

	England.[a]									United States.[b]			
	Accrington.	Manchester.		Oldham.		Rochdale.		Todmorden.		North Atlantic.		United States.	
										1906.	1907.	1906	1907.
Machinists										$0.282	$0.294	$0.29	$0.305
Turners	$0.148	$0.157	$0.166	$0.148	$0.157	$0.152	$0.161	$0.148					
Fitters	0.148	.157	.166	.148	.157	.152	.161	.148					
Borers		.141		.13		.141	.152						
Slotters		.141		.13		.141	.152						
Planers	.12	.141		.13		.141							
Millers		.148		.13		.13	.141						
Blacksmiths	.141	.166		.157		.157	.166	.141		.296	.306	.311	.32
Millwrights	.157	.166		.161		.152	.161	.141		(c)	(c)	(c)	(c)
Metal										.328	.342	.311	.311
Wood										.345	.354	.351	
Pattern makers	.166	.185		.175		.166		.141					
Coppersmiths	.148	.175				.152				(c)	(c)	(c)	(c)
Brass finishers	.148	.166		.148	.157	.152				.274	.279	.274	.276

[a] English statistics from report of board of trade, October 1, 1906.
[b] United States statistics from Bulletin of Bureau of Labor No. 77, July, 1908.
[c] About $0.30 all over United States.

NOTE.—The union scale for machinists in Massachusetts is from $0.28 to $0.36; the English figures above are the union scale.

SUPPLEMENTAL BRIEF OF ROBERT F. HERRICK, BOSTON, IN ADVOCACY OF PRESENT DUTIES ON TEXTILE MACHINERY.

BOSTON, MASS., *December 18, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: I have already presented to the committee a brief on the subject of textile machinery, which comes under Schedule C, paragraph 193, of the Dingley tariff. There are two matters with reference to this same subject, textile machinery, which I desire to take up with the committee in this supplemental brief—first, the difference in cost between English and American textile mills and the extent to which this is influenced by the duty on textile machinery, and, secondly, the separate classification of textile machinery under the new tariff bill.

In the testimony before the committee with reference to Schedule I of the Dingley tariff, cotton manufactures, the following statements were made:

Mr. Samuel Ross, of New Bedford, stated that our mills cost three or four times as much as the English mills, and that quite a little of this difference in cost is due to the tariff on textile machinery. Mr. D. E. Tompkins, of Charlotte, N. C., made the following statement: "They talk about a mill in England being worth $5 a spindle to build it new. In this country $20 a spindle is a rough way of speaking of the cost of the mill."

American mills undoubtedly cost more to construct than English mills. Accurate figuring, however, will show that the English cost of mills similar to the American mills is far in excess of Mr. Tompkins's

estimate of $5 per spindle. There are two radical differences between the construction of cotton mills in England and in this country. In the first place, the English mills are generally either spinning mills or weaving mills, while in this country the mills are generally both spinning and weaving mills. Further, the English mills generally use mule spindles, which produce per spindle about two-thirds as much as the frame spindles commonly used in this country.

The figure which Mr. Tompkins gives of $20 per spindle as the American cost is that commonly used as the cost of the combined spinning and weaving mill equipped with frame spindles and with enough looms to weave the yarn spun by the spindles. The English figure which he uses of $5 per spindle may be a fair figure for the cost of an English spinning mill equipped with mule spindles. To make a fair comparison with the American cost it is necessary to add to this the cost of the English weaving plant and also to allow for the difference between frame and mule spindles.

In considering the effect of the present 45 per cent duty on textile machinery on the cost of American cotton mills there are other considerations to be borne in mind. In the first place the textile machinery constitutes only a part of the cost of the mill. The machinery in an American cotton mill which combines spinning and weaving costs approximately $8 a spindle, or about 40 per cent of the total cost of the mill.

It is absurd to contend that the removal of the duty entirely would mean the sale of English machinery here at 45 per cent less than present figures. There are but few successful manufacturers of textile machinery in England. It would be convenient and natural for them to combine and maintain prices here at a figure just low enough to prevent competition by American manufacturers but considerably higher than the English price.

You will note by reference to my previous brief that the English manufacturers can to-day compete with the American manufacturer even with the present duty. It is evident that with the duty removed, or even reduced, and the American manufacturers out of business, the English manufacturer would not lower his price very greatly from the present figure. Our best figuring is that the actual result of the removal of all protection to textile machinery would be a reduction in the price of English machinery here to a price perhaps 10 per cent lower than the present price for which American machinery is being sold. This would mean a reduction in the cost of cotton mills of perhaps 80 cents a spindle, or 4 per cent on the total cost of the mill.

The result of the removal of the tariff on textile machinery, or such a reduction as to destroy the business of the American manufacturers, would probably mean that such of the American manufacturers as have an established business, and particularly such of the manufacturers as have valuable patents, would transfer their business to England and establish factories in that country or go out of business altogether. It is very probable, however, that most of the manufacturers rather than go out of business altogether would establish factories in England. That this is the natural course is proved by the fact that many American manufacturers in other lines maintain at the present time factories in Canada for the manufacture of goods for the Canadian trade in order to avoid the tariff against imports into Canada from the United States. Similarly, a number of English

Digitized by Google

manufacturers in other lines have factories in the United States to avoid the American duty.

To move the shops to England would be the ready and natural way of avoiding the difference in labor costs between this country and England in case the duty on textile machinery should be removed.

Textile machinery under the present tariff is included in paragraph 193 under Schedule C, the paragraph covering all unclassified manufactures of iron, steel, and various other metals. I ask, that if any reduction is to be made in the rate of 45 per cent generally applicable to this paragraph, textile machinery be given a separate classification with the present rate. Its manufacture has nothing in common with most of the other articles included in the paragraph, and it is important enough to justify separate consideration. Many of the articles covered by the paragraph are manufactured in this country under entirely different conditions than those governing textile machinery, and some of them may be sold abroad by American manufacturers in competition with the European manufacturers. As appears by my previous brief, this is not true of textile machinery, which can not compete abroad and can barely hold its own in this country. In determining the proper rate of duty to be maintained upon imports of textile machinery, I would ask that careful consideration be given to its own peculiar conditions apart from any question affecting the other articles covered by paragraph 193.

Respectfully submitted.

ROBERT F. HERRICK.

(Representing Lowell machine shop and other manufacturers.)

BRIEF SUBMITTED IN BEHALF OF IMPORTERS OF TEXTILE MACHINERY BY SEARLE & PILLSBURY, BOSTON.

50 CONGRESS STREET,
Boston, Mass., December 29, 1908.

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: In reply to the statement of Robert F. Herrick, representing certain American manufacturers, presented to the committee on November 28, 1908, we beg to say that the authors thereof are either in absolute ignorance of the provisions of the present tariff act and the amount of protection accorded to them thereunder, or else the figures and arguments they present are deliberately intended to mislead and deceive your honorable body.

Taking up their statement in detail, we call your attention to the following pertinent points, to wit:

You are given to understand that the duty on machinery, up to the time of the Wilson bill, had always been 45 per cent ad valorem. The exact rates of duty under the various acts since 1864 are given in the following tables, viz:

	Per cent.
Act of July 30, 1846	30
Act of March 3, 1857	24
Act of March 2, 1861	30
Acts of August 5, 1861, and December 24, 1861	30
Acts of July 14, 1862, and March 3, 1863	35
Acts of June 30, 1864, to act of 1890, inclusive ("war tariff")	45
Act of 1894	35
Act of 1897	45

Digitized by Google

In the next paragraph they say in substance that the platform of the Republican party and the speeches of the President-elect promised in the revision of the tariff "such duties as will equal the difference between the costs of production at home and abroad, together with a reasonable profit to American industries."

Upon this ground we can meet the American manufacturers fully and fairly, and if Congress will impose a rate of duty sufficient to accomplish those ends only it will be more than satisfactory to all importers of textile machinery.

Further on in this brief will be found figures (which can be verified in every particular) showing exactly what rate of duty will be necessary to accomplish the purposes mentioned.

Then the statement is made that the only foreign country engaged in the manufacture of this form (textile) of machinery to any appreciable extent is England, while the merest novice in the business knows that considerable quantities of it, and especially linen, silk, and worsted machinery, are built upon the continent of Europe.

Further, it is necessary to deny that the cost of English plants "is probably not greater than 60 per cent of the cost of the plants in America." There is not a single English or continental machine shop of importance which is not situated in a large city where land and ground rents are extremely high. Methods employed by English machine shops necessitate far more expensive and valuable equipment than have been thus far adopted by any American shops that we know of. The building laws abroad are extremely strict and force the erection of superior buildings. Pro contra, almost all the American shops are situated in small towns. We believe it can be shown that the total cost of the English shops is quite as great, if not greater, than that of the American.

Of the claim that the percentage of profit of the American manufacturers to business done is approximately 14 per cent and the percentage of profit to capital invested is approximately 7½ per cent, it is only necessary to say, as Mr. Carnegie has already testified before your committee, that "there are more ways of figuring costs than there are of skinning cats," and to remind you that present-day corporations have so many ways of concealing their earnings in maintenance and construction charges, etc., that it is well-nigh impossible for an outsider to arrive at the real percentage of profits made, and if the American Textile Machinery Combine is an exception in this respect, and if they realize only the profits mentioned under a tariff which protects their products (as we will show in this brief) to the extent of 62 per cent to 66½ per cent, then there is surely something wrong in their business methods. We are informed that more than one of the American Textile Machine companies have entirely renewed and remodeled their plants, under the present tariff, out of earnings. We deny absolutely and categorically the assertion of the record, that the English manufacturers "can add the present duty to their cost of production and yet sell their machinery in this country at prices lower than the American cost and still make a profit." The facts are exactly opposite. Let us take for illustration the very example they use, i. e., the average sales of the three American shops, viz, $7,700,000 (although we deny emphatically their assertions as to the ratio between wages and cost of materials in the United States and in England). It will be noticed at once that they take into account only the items that would enter into the cost of producing such machines in the United States,

Digitized by Google

although the law (see sec. 19 of the customs administrative act of June 10, 1890, as amended) requires ad valorem duties to be paid, not upon the cost but upon the wholesale market price of the merchandise, packed ready for shipment, in the chief markets of the country from whence it is imported. That is to say, under the present tariff imported machinery pays duty at 45 per cent ad valorem on the price foreign purchasers would have to pay for it packed in condition ready for shipment, which price consequently includes not only the cost of packing and the packing cases (which are ultimately thrown away or burned under the mill boilers), but also the manufacturers' profit.

Be it understood, also, that no English textile machine shop deals directly with the trade (the mills) in the United States. Each English shop is represented in the United States by an American merchant, who buys the machinery outright, paying not only the cost, packing charges, and manufacturers' profit, but also land and ocean freight and customs duty, and who is obliged to get his own profit over and above such total cost to him of the machinery landed, duty paid, in Boston.

We omit in our present calculations the importer's profit, as that stands against and offsets to the extent of its amount the American manufacturers' profit on American machinery.

Taking, then, Mr. Herrick's statement of the comparative cost of English labor and materials (the correctness of which we do not for a moment admit), let us see how the cost of English machinery laid down in Boston compares with the results obtained by him:

Set No. 1.

American manufacturers' figures of English cost		$3,518,125
7½ per cent English manufacturers' profit (American manufacturers admit making 14 per cent)		263,859
	A	3,781,984
Packing charge, 7½ per cent		283,649
	B	4,065,633
Duty, 45 per cent		1,829,534
		5,895,167
Delivery to English port, 2½ per cent on A	C	94,549
		5,989,716
4 per cent on B and C for ocean freight and charges		166,407
Cost landed in the United States		6,156,123

These figures as to packing charges, land and ocean freights, etc., can be verified through the United States appraisers at Boston, New York, or Philadelphia, the only United States ports at which English machinery is imported. We have figured the packing charges at 7½ per cent, although they range from 7½ per cent to 12½ per cent, according to the class of machines.

Mr. Herrick claims that under the present rate of 45 per cent English machinery can be landed here below the American cost of production. We show below, however, that a duty of 32 1/10 per cent would put the imported machinery on the same cost basis (landed here) as the American, still using Mr. Herrick's figures of English cost

Digitized by Google

Set No. 2.

Figures B, set No. 1	$4,065,633
Duty, $32\frac{1}{10}$ per cent	1,303,035
$2\frac{1}{2}$ per cent (C, set No. 1)	94,549
4 per cent of B, C, set No. 1	166,407
	5,629,624

The exact American cost by their own showing.

But we challenge the claims on page 2712 of the record, both that English materials cost only 75 per cent as much as the American and that English labor costs only 50 per cent, or less, of the American.

At the hearings before the Ways and Means Committee in 1893 (Tariff Hearings, pp. 484 and 490), Mr. R. P. Snelling of the Pettee Machine Works, now the Saco & Pettee Machine Shops, and which is undoubtedly one of the three American shops mentioned by Mr. Herrick, testified as follows (p. 492):

> This item of so-called "raw material" constitutes a very small percentage of the total cost of the finished machines, very little of which could be imported under any circumstances, and even if the duty should be entirely removed from "raw material" the reduction in the cost of the finished machine gained thereby would be trifling.

This is, of course, true now, if it was true then, and hardly bears out the claim that the material represents 50 per cent of the cost of manufacture and that English materials cost only 75 per cent as much as the American. Our own information and belief is that materials cost practically the same in both countries.

Attached to Mr. Herrick's brief are tables taken from apparently authentic sources, giving the comparative rates of wages paid to four classes of laborers in England and in the United States, and showing a practically continuous increase in both countries from 1890 to 1903, inclusive.

Taking the tables for 1903, which is the last year covered, and averaging the wages of the four classes, we find that wages in England are exactly 0.6015 per cent of those paid in the United States, which materially affects the figures of English cost given above in sets No. 1 and No. 2.

The assertion in Mr. Herrick's brief that since 1903 wages have increased in the United States and decreased in England is entirely gratuitous and unsupported by any authority. Since wages increased almost continuously in England from 1890 to 1903, why from 1904 to 1907, which were prosperous years, should they have decreased? Our own information and belief (which is certainly entitled to as much credit as that of the American combination) is that wages have increased in England since 1903, and that at the present time, and for many years, wages in England are and have been approximately $66\frac{2}{3}$ per cent of the American, and we hope and expect before the tariff is actually revised to produce authentic and indisputable evidence to that effect.

In the hearings before the Ways and Means Committee in 1897 (Schedule C, Tariff Hearings, pp. 474–475) we find a memorial signed by the representatives of 12 separate American textile machinery plants, of which 8 were located in Massachusetts, 3 in Rhode Island, and 1 in Maine, and in which the following positive assertion is made: "Labor constitutes the chief element of cost in our industry; taking all lines of cotton machinery together it probably averages from 50 to 75 per cent of the cost."

Digitized by Google

If that was true in 1897, it is true now and, averaging their own figures, it shows that labor constitutes 66½ per cent of the cost of production.

Assuming that to be so and that materials cost practically the same in both countries, which is the fact, and that English labor costs two-thirds as much as the American, which we firmly believe, then the following figures show the actual protection now afforded the American manufacturer:

Set No. 3.

An American machine selling for $100 includes profit of 14 per cent, as per their own statement	$100.00
Less	14.00
	86.00
American labor, two-thirds of cost	57.33
Material	28.67
	86.00
English material	28.67
English labor, two-thirds of American	38.22
	66.89
English manufacturer's profit, say, only 5 per cent	3.35
	A 70.24
Packing, 7½ per cent	B 5.27
	C 75.51
Duty, 45 per cent	33.98
Delivery Liverpool, 2½ per cent on A	D 1.75
Ocean freight and charges, 4 per cent on C and D	3.09
	114.33

cost to the importer, against $86 to American manufacturer for the same machine, i. e., 33 per cent protection in addition to 45 per cent duty.

Please also consider the following figures made upon the same basis, i. e.:

Set No. 4.

Machine packed at English shop (C of set No. 3)	$75.51
Duty, 7½ per cent	5.66
Delivery Liverpool, 2½ per cent (same as D of set No. 3)	1.75
Ocean freight, 4 per cent (same as in set No. 3)	3.09
	86.01

showing that at 7½ per cent duty the importer's cost is the same as American manufacturer's. Adding to this 14 per cent for the American manufacturer's profit (which they seem to consider reasonable) and subtracting from that sum 5 per cent for the importer's profit (which is certainly low enough), we find that 16½ per cent duty upon imported textile machinery is amply sufficient to "equalize the difference between the costs of production at home and abroad, together with a reasonable profit to American industries."

The cost of production in the United States is really so low that the Americans have a complete monopoly of nearly all lines of cotton-mill machinery, such as looms, cards, and ring frames, and the only cotton machines imported, besides mules, are certain lines for use in

Digitized by Google

the card room, such as pickers, openers, slubbing and roving frames, etc., in which the American manufacturers are behind in their methods. The cotton machinery imported covers only the process of manufacturing up to the thread.

Thence onward American machinery has a monopoly of the entire field.

Foreign builders do not and can not compete with Americans in any line where the Americans produce a machine of equal quality, efficiency, and durability, nor could there be such competition under any rate of duty over 16½ per cent, and if the American manufacturers would improve their products in the lines now imported, as they have in other lines, the importation of foreign textile machinery would cease at once and forever.

A further evidence that the Americans produce their machines at a lower cost than the foreign can be laid down, duty paid, in Boston, is the fact that they invariably sell their machinery and offer it for sale at prices below those at which the imported machinery can be sold. It may be well to be more specific.

Cotton-carding engines in large numbers have been sold readily and willingly by the American shops at such prices as would make it necessary to put machinery on the free list in order to compete with them.

The statement is made in the American argument that most of the machine shops are situated in Massachusetts and Rhode Island, and then the statistics of machines and machine making in these States are cited. It would be well for the committee to investigate the proportion of laborers employed and capital in purely textile machine shops, compared with the total laborers and capital employed in machines and machine making in these States.

The textile machine shops appear to be the only ones asking for retention of duty. There are many machine shops in Massachusetts, Rhode Island, and Connecticut which are exporting machinery to England and Germany to a large extent. They are not asking for more protection or making any agitation whatever.

Should not the textile manufacturers of this country have the benefit of the best machines from whatever source produced?

The capital invested and labor employed in textile manufactories is infinitely greater than that employed in textile machine making.

These manufacturers are hampered by the high cost of their plants, due to an excessive protection granted American machine shops. In order to compete with other countries on export goods, they must have equally good tools to work with at a reasonable price.

As further evidence of equality in comparative cost of production we beg to state that up to about two years ago the duty on English machinery coming into Canada was 16⅔ per cent, while American machinery paid 25 per cent. In spite of this fact the American builders were able to underbid the English.

To-day the rate of duty in Canada is 10 per cent on textile machinery, whether from the United States or from England, and yet the Americans are quoting far below the English builders in many instances.

Any cost to an importer above that charged for the machine on the floor of the English shop is a protection to the American builder. As the American machine when sent from the shop is partially set up, it is not necessary to pack the remaining parts in the same manner as

Digitized by Google

a foreign builder must pack his. When this packing is done in the American shop it would not be over 2 per cent of the cost, which is offset by the cost of 2 per cent for breakage on imported machinery. Further, it costs more to set up the foreign machine, owing to its having been completely knocked down when packed. And besides that the foreign machine is heavily greased, the importer having to hire help at the mill to clean all parts before erection.

Under the present tariff importers pay a duty of 45 per cent on the value of the machine, 45 per cent on the value of cases and cost of packing, making a duty of about 50 per cent. To this must be added the value of the cases, packing cost for shipment to America, land and ocean freight, etc., which amounts to at least 16½ per cent, making a total cost above price charged by English manufacturers to English purchasers of 66½ per cent, all of which is protection to the American manufacturer.

In conclusion, we draw your attention to a statement in the record, i. e., "As a matter of fact, the freight to southern points from England would very slightly, if at all, exceed the same freights from New England, and in many cases would be less." Now, the author of that statement and every textile machine builder, whatever their ignorance of the tariff laws may be, know that all imported textile machinery arrives either at Boston, New York, or Philadelphia, and the great bulk of it at Boston, and that from those points foreign machinery destined to southern, or interior mill towns, stands upon an absolute equality, so far as freights are concerned, with New England made machines.

The statement above quoted is so disingenuous it is hard to avoid the conclusion that it was made solely for the purpose of misleading.

Finally, in their effort to show that importations of machinery have increased under the present tariff, Why have the American manufacturers selected the year 1897 to compare with 1907? Why have they selected the poorest year in the history of the trade to compare with one of the most prosperous? Not only was 1897 a lean year, but the present tariff, increasing the rate of duty on machinery from 35 per cent to 45 per cent, took effect on July 7, 1897, causing such an enormous falling off in the importation of machinery that the total for the year amounted to only about 33⅓ per cent of that of the year before.

On the other hand, is it not eminently fair and proper to compare the year before the present tariff went into effect (1896), when, according to the government's statistics, importations of machinery amounted to $2,816,729, with the year 1907, when, according to Mr. Herrick's statement, they amounted to $2,845,357, showing that, in spite of the fact that the textile manufacturing industries in the United States have grown almost miraculously since 1896, the increase in the importation of foreign-built textile machinery has been inconsequential. In fact, under the present act, there have been no importations of many kinds of machinery that were largely imported before, and the figures for 1896 and 1907 would have shown an enormous falling off in importations of machinery, but for the fact of the great increase in the United States in certain lines of textile manufacturing (such as linens, silks, and worsteds), for which the American builders have not been able to compete in quality of machines produced.

Digitized by Google

What confidence can your committee have in the statements of interested domestic manufacturers when their figures are so clearly and painstakingly marshalled to convey wrong impressions?

In the interest of the great American textile manufacturing industries, of the consumers of their products (the American people), and in our own, we ask that the rate of duty on imported machinery under the new tariff be reduced to at least 25 per cent ad valorem, which rate will be amply sufficient to afford to American textile machinery manufacturers all the legitimate protection required.

Respectfully submitted.

SEARLE & PILLSBURY,
For Evan Arthur Leigh, of Boston,
and Certain Other Importers of Textile Machinery.

ADDITIONAL BRIEF RELATIVE TO TEXTILE MACHINERY SUBMITTED BY ROBERT F. HERRICK, BOSTON, MASS.

BOSTON, *January 16, 1909.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: Textile machinery is among the numerous manufactures covered by Schedule C, paragraph 193, of the present tariff. I have filed with the committee two briefs asking the retention of the present duty on these manufactures, and a separate classification in case the rate fixed by paragraph 193 is to be reduced.

There are no other articles covered by this paragraph which are manufactured under the same conditions that exist in the manufacture of textile machinery. In the case of many of the articles, such as automobiles, metal bottle caps, etc., the dissimilarity will be clear to the committee. In the case of other articles, however, though the difference in conditions is as great, this fact may not be apparent to the committee. In this connection I wish to call particular attention to machine tools. A large number of the American manufacturers of these articles have agreed to and even asked for a reduction of the duty on these manufactures. Their reason for doing this is frankly stated to be in the interest of their foreign sales, which constitute an important part of their business. They are to-day and have been for a long time able to compete abroad because of the nature of their product and the conditions of its manufacture. They now find that because of our high duty against imports foreign countries are retaliating by placing a high duty upon our exports of machine tools and their export business is being seriously injured. As I have already stated in my brief, "there have been no exports of American-made textile machinery except in isolated cases where the foreign manufacturer was anxious to try the higher-priced American machinery on account of certain special or patented features. There is absolutely no such thing as competition abroad between American-made machinery and English-made machinery. This is not because of superior quality in the English machinery, but simply because the English manufacturers can afford to sell and do sell and make a profit at prices which would not repay the American cost." The conditions which exist in the machine-tool business do not exist in the manu-

Digitized by Google

facture of textile machinery, and we ask for consideration upon our own conditions.

Certain importers of foreign-made textile machinery have asked for a reduction of the duty. Certain of the facts set out in my earlier briefs are disputed by them, but no independent information is given the committee. I do not deem it necessary to reaffirm the allegations of my previous brief, but I desire to prevent the committee from being confused by any misinterpretations of what has already been presented.

First of all, I would call attention to the fact that the whole theory of this petition to the committee on behalf of the importers is to secure such rates of duty on textile machinery that these importers can purchase foreign machinery, import it, and sell it here in competition with, or in place of, American manufacturers. It is obvious that if such rates of duty were secured, and the middleman dispensed with, the English manufacturers would be able to drive the American manufacturers out of business. The nature of the business is such that direct competition by the English manufacturers is readily possible—there is no need for the middleman in figuring on the equipment of large plants, such as textile mills. We understand the platform on which the tariff is to be revised does not contemplate reducing the rates of duty to a figure that will enable the American importers of foreign products to compete with the American manufacturers, but that the rates of duty are to be maintained at a figure equal to the difference in the cost of production at home and abroad with a fair profit to the American manufacturer; in other words, to enable the American manufacturer to hold the business at a fair profit.

In dealing with earlier rates of duty, it is intimated that we have not been frank with the committee. I need only say with reference to my statement that prior to the Wilson bill the rate had been 45 per cent, that such was the rate for thirty years prior to the Wilson bill.

It is true that some textile machinery is manufactured in European countries other than England, but very little of this machinery reaches this country, largely because it is of a different nature from the textile machinery generally used here. The foreign competition in this line is principally and almost entirely with the English manufacturers. England is by far the largest producer of the machinery, and I believe the cheapest, and is also the largest exporter of these products to the United States. Consequently, it is to the English manufacturers that we must look as a basis for comparison to determine the fair rate of duty.

As to the profits from American manufacture of textile machinery, our figures are fair and accurate and taken from our books. A fair charge for depreciation and renewals has been made annually and no more. As to the cost of English plants, the figures are based on inspection and familiarity with the English plants and with the English methods of manufacturing. The equipment of English shops both as to buildings and machinery costs less than the American. Further, the American shops are situated in towns averaging fully as large as the English. We reaffirm our statements in this respect.

Digitized by Google

It seems to me needless to go into further intricate cost figures. I believe the committee will find that my original figures have in all cases been fairly made and consideration given to all essential points. Reference was made in my brief as to both packing costs and freights. Packing costs would, undoubtedly, be greater in England. Likewise, freights in most instances would be greater for the English manufacturer, but in many instances the difference would be but slight. As to land freights in England, I would say that from Manchester, one of the chief textile machinery districts in England, the ocean freights are the same as from Liverpool. The English rate to southern points is but slightly greater than the rate from New England. If it is true to-day that English machinery destined for southern points is first shipped to Boston and then transshipped, I can only say that such practice is not likely to continue. Under any circumstances, as it is possible for direct shipments to be made at so much lower rates, I submit that it is on this basis that comparisons should be made. My figures show what it is practical for the English manufacturer to do, and I have so stated. In my original brief I have added 4 per cent to the English cost, and figured the 45 per cent duty on this total and shown that this equals the American cost. In doing this, I have, it is true, disregarded the difference in cost of packing and in freights to which I called attention in my original brief. The importers seem to try to confuse the committee by adding in these items in the case of foreign machinery and disregarding them in the case of the American, and, furthermore, the percentages used by them both for freights and packing are excessive. Tables made up on this basis can have no value.

Further, my statement that materials and labor each equal about 50 per cent of the cost of production is challenged. It is true that formerly labor bore a larger part of this cost, and it may do so to-day. There have been many labor-saving devices introduced into the manufacture of this machinery, and, to be perfectly fair, I adopted this proposition which I believe is correct. If we admit the contention that labor is rather 66⅔ per cent of the cost, then, with labor in England at 50 per cent of American rates, and materials at 75 per cent, we find the English cost of production relatively even less than I have claimed.

Reference has been made to testimony before the committee in 1893 to the effect that raw material constitutes but a small percentage of the total cost, and that, even if the duty on such were entirely removed, the reduction in cost of the finished machine would be trifling. These statements are not inconsistent with the fact that to-day material constitutes approximately 50 per cent of the cost, and that, further, that material in England costs about 75 per cent of this cost in this country. In the first place, as I have just stated, changes in the methods of manufacture and the introduction of labor-saving devices during the last few years have, I believe, reduced the proportion that labor bears to the total cost of production. In 1893 the American manufacturers were paying approximately $13 a ton for pig iron. Within the last two or three years the price has been as high as $24, and is now from $17 to $18. The same increase has taken place in the cost of practically all other materials entering into the production of textile machinery. As has been stated frequently to the committee, corresponding increases have not taken place in England. The facts

Digitized by Google

more than bear out my statement that the cost of materials in England is no more than 75 per cent of the cost in this country.

If the committee will examine the second table of the labor statistics which accompanied my original brief it will be found that for 1906 the average English rate of wages was almost exactly 50 per cent of the North Atlantic rate, and approximately 48 per cent of the rate for the whole United States. These are the very latest and most accurate figures that could be found after a most careful and exhaustive search through all English and American statistics. Further, as to the change in wages from 1903 to 1907, by comparing this table with the preceding table it will be seen that my statement is accurate, and that wages here have increased while in England they have decreased. That there has been a decrease in England during these years is borne out also by reports of the English Board of Trade as to changes in wages. (English Parliamentary Reports of Board of Trade, Vol. CXII, No. 623, pp. 39 and 58.)

It is not true that the American builders underbid the English builders in Canada or that they have quoted below the English builders there either under the prior Canadian tariff, which favored the English machinery, or under the present tariff, which is the same for both countries. Competition in price between American and English machinery is not possible in Canada or in any foreign country.

With the present duty of 45 per cent, over $2,100,000 of textile machinery was imported at the port of Boston alone in the year 1907, as against a total production of approximately $20,000,000 in this country. Further, as I have already stated, under the present tariff importations have increased at Boston alone from $850,350 to the figure above stated. It is undoubtedly true that on the adoption of the present tariff, with the increase in duty of 10 per cent, importations fell off. For this very reason I have taken only the figures for imports under the present tariff, and they show a gradual but substantial increase from year to year. Undoubtedly these importations would have increased even more rapidly had not the English shops been so busy in recent years that they have been forced to ask for one and even two years' time for delivery. This fact has in many instances resulted in orders going to American shops where quicker delivery has been possible.

This increase in importations, in connection with the fact that during the last decade the profits of three of the oldest and largest shops have averaged only 7½ per cent yearly, makes it conclusive, I submit, that the present rate of duty is no more than fair and reasonable protection to this American industry.

In conclusion, I would call attention to the fact that it is these importers alone who have asked for a reduction of the duty on textile machinery. They are not speaking in behalf of the great American textile manufacturing industries, but in behalf of a few importers of foreign textile machinery who are to-day able to import foreign machinery in increasing quantities and pay a profit to foreign builders, make a substantial profit themselves, and still compete with American builders and do a considerable and continually increasing proportion of the business. While the sales of American builders have increased but slightly during the last ten years, the importations have shown a steady and substantial increase yearly. No further evidence is needed by the committee as to the relative cost of American ma-

Digitized by Google

chinery and of English machinery laid down in this country. No figures as to cost can more clearly demonstrate the fact that the present duty is no more than adequate.

Should the committee be of the opinion that other articles, such as machine tools, etc., now in the same schedule as textile machinery, should be subject to a lesser duty, we repeat our request that textile machinery be placed in a schedule of its own.

We wish to urge the committee most earnestly to consider the facts and figures stated in our briefs and to state our willingness to prove them in such a manner as the committee may request. We have shown that a slight reduction in the duty means the removal of the present small profits made by the American manufacturers and would tend to drive the business from this country, which, we are sure, it is not the purpose of the committee to do.

Respectfully submitted.

ROBERT F. HERRICK.

MACHINE TOOLS.

[Paragraph 193.]

COL. ALBERT CLARKE, OF BOSTON, MASS., SUBMITS BRIEF OF THE L. S. STARRETT COMPANY, OF ATHOL, MASS., ASKING RETENTION OF PRESENT DUTIES ON TOOLS.

ATHOL, MASS., *November 24, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: We are manufacturers of fine tools and are exporting same now, having a warehouse and office in London. In our experience, the Germans are our worst competitors. They have imitated our improved tools that we have gotten up and patented in this country and would have patented in foreign countries but for unfavorable discriminations existing against us in the foreign patent laws. The Germans are duplicating tools that we originated, making them more cheaply, sending them into this country, and underselling us. The English are also now copying and manufacturing our tools. One of our agents a few weeks since, finding imitations of certain of our tools among the hardware trade, inquired why they did not patronize home production rather than pay duty and sell the German make. The reply was that they could pay the duty and make more money on the imported goods than on the home production. For this reason you will see the advisability of keeping up the tariff on goods in our line. We are sending you, under separate cover, a copy of our catalogue showing the large variety of goods we make. We are at present employing between 600 and 700 hands, and are hoping later on to employ twice as many, and shall be able to if we have suitable protection. Therefore we would advise that the present tariff be maintained on goods in our line, but on raw material, such as we use in steel tapes, hack-saw blades, etc., we should hope that the duty might be reduced.

We are going to say that the recent change in the patent laws in England discriminates against us more than ever heretofore. As it is

Digitized by Google

now, we are not only required to pay exorbitant rates for protection in taking out a patent while we get none, but are obliged to have the article manufactured in England, as well as France and Germany, in order to maintain the validity of same. This is a matter, however, that should be brought before those interested in amending the patent laws.

If there is any further information we are able to give, we shall be pleased to do so.

Yours, truly,

THE L. S. STARRETT CO.,
By L. S. STARRETT,
President and Treasurer.

REPRESENTATIVES OF THE MACHINE-TOOL INDUSTRY ASK FOR PROTECTION OF ITS FOREIGN TRADE.

WASHINGTON, D. C., *November 30, 1908.*

Hon. SERENO PAYNE,
Chairman Ways and Means Committee.

GENTLEMEN: We, the undersigned, representatives of the machine-tool industry of the United States, voicing what we believe to be the opinion of machine-tool manufacturers generally, respectfully petition your committee that in the contemplated revision of the tariff that full consideration be given to the protection of our foreign trade.

And inasmuch as an average of 30 per cent of our output is sold to foreign countries, some of which have been continuously raising their tariff against us, and to-day threaten such a further advance as will be practically prohibitive (as, for instance, in the proposed French tariff advance), therefore we desire to place ourselves on record as favoring a reduction in the present domestic tariff on our product (machine tools) wherever such reduction will secure for us a corresponding consideration in the tariffs levied against American machine tools by foreign countries.

And to this end we request that the present tariff of 45 per cent be maintained as a maximum tariff, and that a minimum tariff of 30 per cent be established with which we may favor such foreign countries as in return may favor us in their tariff schedules.

Respectfully submitted.

The Cincinnati Milling Machine Company, C. Wood Walter, secretary and treasurer; The American Tool Works Company, by J. B. Doan, vice-president; The W. P. Davis Machine Company, W. P. Davis, president; Flather & Co. (Incorporated), H. L. Flather, treasurer; Gould & Eberhardt, Fred L. Eberhardt, president; The Lodge & Shipley Machine Tool Company, Murray Shipley, vice-president and secretary; The Hendey Machine Company, C. H. Alvord, general manager; W. F. and John Barnes Company, A. T. Barnes, secretary-treasurer; The Springfield Machine Tool Company, P. E. Montanus, president; Gisholt Machine Company, C. A. Johnson, president.

Digitized by Google

SUPPLEMENTAL STATEMENT BY COL. ALBERT CLARKE, OF BOSTON, MASS., RELATIVE TO MACHINE TOOLS.

WASHINGTON, D. C., *December 7, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
House of Representatives, Washington, D. C.

SIR: I wish to make a brief statement concerning the export of machine tools. In my answer to a question last Friday or Saturday I expressed the opinion that there was hardly any export and you thought I was mistaken. I am glad to believe that I was. My error arose from the fact that no designation of machine tools is made in the government reports of merchandise exported, but the Report of Commerce and Navigation for 1907 contains a list of "metal working machinery," in which I think machine tools must be included, although by no means comprising the whole. The recapitulation shows an export to Europe of $8,423,471; to North America, $454,457; to South America, $136,070; to Asia, $255,551; to Oceania, $90,990, and to Africa, $8,517, making a total of $9,469,056. If one-half of this was machine tools it is a creditable exhibit.

Very truly, yours, ALBERT CLARKE.

THE WARNER & SWASEY COMPANY, CLEVELAND, OHIO, RECOMMENDS A REDUCTION IN DUTY ON MACHINE TOOLS.

CLEVELAND, OHIO, *December 18, 1908.*

Hon. SERENO PAYNE,
Chairman Ways and Means Committee, Washington, D. C.

GENTLEMEN: The manufacturers throughout the country are greatly interested in the work that your committee is doing just at this time, and while we are presuming that most of the letters you receive strongly advise high tariff, it is our pleasure as manufacturers of machine tools to state that the facilities for manufacturing in this country are so fully developed that we feel it would be greatly to our advantage to have the tariff on machinery and machine tools reduced, for by that means a strong argument would be in the hands of our Government against the raising of tariffs in foreign countries.

Just now we are threatened with threats for higher tariff on machines sent to France, and probably similar changes will be made in German tariffs in the very near future. We strongly favor reciprocity along these lines and do not fear competition. We are in favor of a minimum tariff being established with countries that will favor us. The tariff for this purpose might be reduced to 30 per cent, or even 25 per cent, and we feel that the American manufacturers would then receive protection enough. In fact, our high tariff of 45 per cent is absolutely prohibitory, and therefore our Government receives nothing in the way of a revenue from this source.

We realize the importance of the work you are doing and the great amount of labor incident thereto, but, trusting that you welcome suggestions from others, we have been bold enough to write you this letter.

Very respectfully, THE WARNER & SWASEY CO.,
W. R. WARNER, *President.*

Digitized by Google

REPRESENTATIVES OF THE MACHINE-TOOL INDUSTRY FAVOR REDUCTION WITH A VIEW TO FOREIGN RECIPROCITY.

WASHINGTON, D. C., *November 30, 1908.*

WAYS AND MEANS COMMITTEE,
Washington, D. C.

GENTLEMEN: We, the undersigned, representatives of the machine-tool industry of the United States, voicing what we believe to be the opinion of the machine-tool manufacturers generally, respectfully petition your committee that in the contemplated revision of the tariff full consideration be given to the protection of our foreign trade.

And inasmuch as an average of 30 per cent of our output is sold to foreign countries, some of which have been continuously raising their tariff against us, and to-day threaten such a further advance as will be practically prohibitive (as, for instance, in the proposed French tariff advance), therefore we desire to place ourselves on record as favoring a reduction in the present domestic tariff on our product (machine tools) wherever such reduction will secure for us a corresponding consideration in the tariffs levied against American machine tools by foreign countries.

And to this end we request that the present tariff of 45 per cent be maintained as a maximum tariff, and that a minimum tariff of 30 per cent be established with which we may favor such foreign countries as in return may favor us in their tariff schedules.

Respectfully submitted.

THE AUTOMATIC MACHINE CO.,
NORMAN LEED,
Treasurer and General Manager.

HON. JOSEPH G. CANNON, M. C., FILES LETTER FROM THE ROCKFORD (ILL.) DRILLING MACHINE CO. RELATIVE TO MACHINE TOOLS AND MAXIMUM AND MINIMUM TARIFF.

ROCKFORD, ILL., *December 7, 1908.*

Hon. JOSEPH G. CANNON,
Washington, D. C.

DEAR SIR: In view of the coming tariff revision at the next session of Congress we will be glad to have you interest yourself on behalf of Illinois manufacturers of machine tools.

A committee from our National Machine Tool Builders' Association waited on Secretary Root; also had a meeting with the Ways and Means Committee concerning the question of tariff on machine tools.

As you are undoubtedly aware, a very large proportion of the product of American-made machine tools is exported into the French and other European markets. We understand that the French and German governments are contemplating a raise in the tariff, discriminating against American-made machine tools. So far as we are personally concerned, we would as soon as not see the tariff abolished on machine tools, as the prospect of competition from foreign makers

Digitized by Google

of machine tools in this market is small. However, to give the State Department an opportunity for negotiation with foreign governments on the tariff question, we believe we would favor a maximum and minimum tariff on machine tools, and would suggest as a maximum the present tariff of 45 per cent, and as a minimum 15 or 20 per cent.

Should you have any opportunity to help this cause along we would greatly appreciate your effort.

We are, yours, very truly,

ROCKFORD DRILLING MACHINE CO.,
S. H. RECK, *Secretary.*

ALEXANDER LUCHARS, NEW YORK CITY, FILES BRIEF RELATIVE TO THE MACHINE-TOOL INDUSTRY.

NEW YORK, *December 19, 1908.*

Hon. SERENO E. PAYNE,
Washington, D. C.

DEAR SIR: At the suggestion of Senator Foraker we mail you herewith a copy of a letter written him in response to inquiries which he made regarding conditions in the machine-tool and allied industries, which he seems to think would be of sufficient value to incorporate in the report of the hearings of your committee.

Yours, very truly,

THE INDUSTRIAL PRESS,
ALEX. LUCHARS, *President.*

NEW YORK, *December 12, 1908.*

Hon. J. B. FORAKER, *Washington, D. C.*

DEAR SIR: In order to answer intelligently the inquiries in your letter of the 9th, allow us first to say a few words about the different methods of producing machine tools in this country and abroad.

The machine-tool industry has reached a higher state of development in the United States than in any other country, and certain kinds of tools which require a considerable number of parts and, consequently, a large amount of labor to produce are now turned out in large lots on what we call a manufacturing basis—that is, the various parts are accurately made and finished in quantities and afterwards assembled. These methods and the use of ingenious cost-saving appliances, together with the greater skill and productiveness of American workmen, have so reduced the cost of tools of this description that our manufacturers are able to sell them abroad in competition with English and German machines, which until recently have been produced in small lots only. American manufacturers of such tools would be but slightly affected by any reduction in our tariff, and would be sufficiently protected with a duty of 20 per cent or less.

Digitized by Google

Very heavy tools, which are made largely of cast iron and on which there is comparatively little machine work, need more protection, but nothing like the present amount. Some of our manufacturers go so far as to say that there is no necessity for any duty on their product if we have free raw material and if the foreign tariffs on their products are kept down, but this is not our opinion. There are many cheap and cumbersome machines made by English, German, and other European manufacturers which could hardly be sold in this country at any price; but, on the other hand, most of our best tools are now accurately copied by foreign makers, and, unless our manufacturers were protected to some extent, could be sold in this country at prices which would completely demoralize the American machine-tool industry. Progressive foreign manufacturers who have recognized the advantage of American methods are rapidly adopting them in their works, and all they really need to compete on even terms with our own manufacturers anywhere is a wider market, which will enable them to produce in larger quantities.

We can say, in response to your inquiry, that the present tariff has not increased the price of machine tools to the American consumer, nor has it repressed the development of such manufactures. For fifteen or twenty years American machine tools have been sold all over Europe, in competition with foreign makes, at virtually the same prices as in this country, and our export trade increased up to 1907. During that year, although we had then begun to feel the effects of foreign imitations, most of our leading machine-tool builders were from six months to a year behind in their deliveries. The development of our machine-tool industry has never been so great as during the period above referred to, and within that time the number of manufacturers and the output increased three or four fold. The steady and rapid development of this industry naturally resulted in stronger competition among our manufacturers and in remarkable development in the capacity of our machine tools. No sooner did one manufacturer place an improved machine on the market than his competitor set to work to better it, and often produced one at the same price which would turn out more work at less cost. The automatic screw machine is a type of such tools, and is of distinctly American origin. One of these machines easily turns out from five to twenty times the product of an ordinary engine lathe at a cost for direct labor attendance in some cases of less than one-tenth that of the latter. Many other machines of the screw-machine type have been perfected which have completely revolutionized the manufacture of small parts, effecting savings fully as great as that mentioned above.

Referring to your inquiry in regard to the relative cost of labor in our industry in Europe and in the United States, information obtained by one of our editors, who spent last summer in Europe making a personal investigation of conditions in our industry, shows that the wages paid to foreign workmen vary materially. We give below the average rates of wages, in cents per hour, paid in European countries

Digitized by Google

which are the most active in the manufacture of machine tools and in the United States:

Rates of wages in cents per hour.

Foreign.	Machinists.	Toolmakers.	Handy men.	Apprentices.
Italy	8 -12	12-16	9 -10	
Switzerland	15	20	10 -12	
Germany:				
Munich	13	17	10	
Saxony and the Rhine Valley	15	20	11 -12	
Berlin	14.5-17	19-22	11 -13	
Magdeburg	14.5	19	8.5-10	
Great Britain	15.5	20	9	
France [a]				
United States:				
New York City	33	39-44	16 -28	7
Philadelphia	31 -37	32	16	6-12
Providence, R. I. [b]	26	28-35	18 -25	8-14
Cleveland, Ohio	25 -30	30-35	18 -25	8-15
Milwaukee, Wis	25 -40	30-40	17.5-25	5-15
Cincinnati, Ohio	27	32	20 -30	8-15

[a] Machine-tool industry still in its infancy.
[b] On piecework these rates may be increased 30 to 40 per cent.

During the dull times of 1893–1896 and 1903–4, when business in these lines was almost at a standstill here, their foreign trade was a life-saver to many of our manufacturers, some of whom sold as much as 75 per cent of their output abroad; and while we can hardly expect to repeat that experience on account of the progress made by foreign machine builders, we shall continue to sell certain types of machines, and small tools as well, provided we are not shut out of foreign markets by increased tariffs, such as the French now propose. For this reason our manufacturers generally favor free trade in raw materials and a reduced tariff on machinery, with maximum and minimum rates, which will enable us to develop reciprocal relations with foreign countries that care to enter into them.

As all machinery is built on machine tools, this industry may fairly be called a basic one, and any policy which restricts its development will react on the industrial life of the nation, just as a policy which fosters its extension into foreign fields will help our manufacturers generally; for while the United States will always be the greatest market for our machine tools the cultivation of foreign trade should always continue to be of vital importance, and the nearer we can approach to a free-trade basis without sacrificing our home market the sooner will we be able to include the world as our field. No one familiar with the skill and resourcefulness of American mechanics hesitates to trust them to compete on even terms with those of any other country. The European trade which we have commanded, in spite of the great difference in wages, proves this.

Yours, very truly,

THE INDUSTRIAL PRESS,
ALEX. LUCHARS, *President.*

Digitized by Google

THE BULLARD MACHINE TOOL COMPANY, BRIDGEPORT, CONN., WRITES RELATIVE TO RETALIATORY FOREIGN TARIFFS.

BRIDGEPORT, CONN., *December 16, 1908.*

Hon. E. J. HILL,
The Ways and Means Committee, Washington, D. C.

DEAR SIR: There is, as you are doubtless aware, a movement of considerable volume on foot among all builders of machine tools looking toward a reduction of the tariff on that particular product.

* * * * * * *

We have had an opportunity to discuss this matter fully, and beg to state that in our opinion the present duty of 45 per cent ad valorem is decidedly excessive and has in the past worked us more harm than good because of the retaliatory measures which have been directed at the American exporters by foreign governments.

Our foreign business has been practically 30 per cent of our total volume, and had it not been for the above retaliatory tariffs it would have been, in our opinion, a far greater proportion of a greater total.

Our sales to France, one of our best customers heretofore, are now threatened with a material reduction, owing to the added handicap in the proposed French increase in duty on American machinery, which increase is admittedly a slap at our own duty of 45 per cent on all classes of machinery, which directly affects the exportation of French automobiles. If the present duty is maintained we fear the eventual discontinuance of our foreign trade, and trust, therefore, that material reductions will be made.

The position which American machine tool builders hold to-day in the markets of the world is solely one of superiority in design and workmanship, and it is our earnest belief that should the tariff on our particular line, viz, boring and turning mills, be entirely wiped out that we would have nothing whatever to fear in the way of foreign competition in this country. This may not, however, apply to all lines of machinery or all lines of metal manufacture.

We also believe that in order to obtain a reduction in the tariffs which have already been enacted by foreign countries that there should be a maximum and minimum tariff which would form a basis for reciprocal arrangements. A minimum of 10 per cent we believe to be sufficient to thoroughly protect all lines of machine tools, and that the maximum should not exceed 25 to 30 per cent, the difference between the maximum and minimum to be used solely for the purpose of reducing tariffs by reciprocal measures already directed against our product in foreign countries.

Trusting that you will consider this a full and careful exposition of our position in this matter, and that you will submit our views in due time for the consideration of the Ways and Means Committee, we beg to remain,

Respectfully,

THE BULLARD MACHINE TOOL CO.,
T. H. BULLARD, *Vice-President.*

(Letters similar to the above were received from the following: The Acme Machine Company, Cleveland, Ohio; Builders' Iron Foundry, Providence, R. I.; Peck, Stow & Wilcox Company, Cleveland, Ohio; The Cleveland Twist Tool Company.)

Digitized by Google

WINDMILL MATERIALS.

THE WINDMILL MANUFACTURERS' CLUB, BATAVIA, ILL., WISHES CERTAIN RAW MATERIALS FREE.

BATAVIA, ILL., *January 9, 1909.*

CHAIRMAN COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

DEAR SIR: Inclosed find copy of resolutions adopted by the Windmill Manufacturers' Club, expressing their sentiments in regard to the tariff.

We trust you will use all influence possible to lower the present unnecessarily high tariff.

Very truly, yours,

CHALLENGE COMPANY,
FRANK SNOW, *Secretary.*

CHICAGO, *December 9, 1908.*

To the WIND MILL MANUFACTURERS' CLUB:

Your committee on the revision of the tariff beg leave to report and to recommend the adoption of the following resolution:

Whereas there is now in session a committee of Congress sitting for the purpose of gathering information relative to the proper revision of the tariff laws; and

Whereas our members, representing over 90 per cent of the manufacturers of windmills in the United States, are deeply interested in a proper revision of the tariff as applied to the materials used by them, on account of their inability to secure and hold a fair share of export trade in windmills and towers:

Be it resolved, That the Wind Mill Manufacturers' Club, in regular session at Chicago, do hereby pledge their best endeavor to secure a proper reduction on pig iron, steel bars, and angles, pipe, sheet steel, and lumber, to the end that, inasmuch as they are compelled to sell their goods for export in competition with the unprotected markets of the world, they may be placed in a position in which they may purchase the material entering into the construction of their goods in a like open market, believing that the entire American people will be benefited by the increased manufacturing that will result by the increase in the export trade and that the decrease in price on the domestic trade would be a direct benefit to the farmers and users of the United States;

Be it further resolved, That a radical reduction of the tariff now in force under the Dingley tariff law will have to be made in order to secure any proper benefits from a revision. Even a 50 per cent reduction in many instances would not admit foreign materials into the United States in competition with those produced here. For this reason we insist that this class of material be admitted at only a nominal tariff rate not to exceed the cost of the department to transact the business necessary for its admission;

Be it further resolved, That we favor the appointment of a permanent nonpartisan commission for the purpose of properly investigating this entire subject, with power to compel attendance and to examine witnesses under oath and who shall from time to time recommend to Congress such revision in the tariff law as conditions may justify.

Digitized by Google

That we further resolve that copies of these resolutions be mailed to all other manufacturers' organizations, the chairman of the committee of Congress now investigating the tariff question, and that they be spread upon the minutes of this club.

W. H. RAYNER,
H. N. WADE,
H. I. PARK,
Committee.

PHOSPHOR COPPER.

[Paragraph 532.]

R. F. LANG, NEW YORK CITY, WRITES RELATIVE TO IMPOSITION OF DUTIES ON CERTAIN PHOSPHOR COPPER.

NEW YORK, *December 22, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: I am informed that during the hearing on the metal schedule before your committee certain manufacturers of metal alloys have stated that I import a certain metal containing a certain percentage of phosphorus, claiming that a duty should be assessed on the same. I do not know to what extent they wanted the duty assessed in order to afford them an opportunity to charge a higher price for the goods they make here, and I do not particularly care whether there is a duty assessed or not, inasmuch as the phosphor copper which I import in a small way is of a superior quality and for this reason alone demands a higher price.

If domestic manufacturers could produce the same goods, they would have done so long ago, and if duty is assessed on my metal the additional price would have to be paid by the consumers and would not make any difference to the manufacturer of phosphor copper. If the object of assessing duty was one of revenue only, then the assessment would be justified, but assessing the duty on material which contains only a comparatively small percentage of phosphorus and consists of from 85 per cent to 90 per cent of copper would mean an assessment on copper, which has been deemed not to need any protection whatever.

I leave it to your committee to judge for yourselves whether assessment of duty would be justified or not.

Yours, very truly,

R. F. LANG,
Importer of Phosphor, Manganese, and Silicon Copper.

PHOSPHOR TIN AND COPPER.

[Paragraphs 532 and 683.]

STATEMENT OF WILLIAM B. KLEE, PRESIDENT OF THE DAMASCUS BRONZE COMPANY, OF PITTSBURG, PA.

FRIDAY, *December 4, 1908.*

Mr. KLEE. Mr. Chairman, I can not give you the paragraph for this. It is phosphor tin and phosphor copper. Under the ruling of the appraiser in New York on May 21, 1903, both these manufactured articles were put upon the free list.

Digitized by Google

Mr. BONYNGE. What are these articles?

Mr. KLEE. Phosphor tin and phosphor copper. They are not in the tariff schedule, but are brought in under paragraph 683.

Mr. GRIGGS. What does that mean?

Mr. KLEE. Free tin.

Mr. GRIGGS. I would not know it if I saw it.

Mr. KLEE. Phosphor tin, a manufactured article of phosphorus and tin; and prosphor copper, a manufactured article of phosphorus and copper.

Mr. DALZELL. It is not specifically named at all?

Mr. BONYNGE. He says not.

Mr. DALZELL. Not specifically named in the tariff bill at all, and it is held to be free under a ruling of the Treasury Department?

Mr. KLEE. Yes, sir.

Mr. BONYNGE. Probably it is under paragraph 683.

Mr. KLEE. The ruling is:

PHOSPHORIZED TIN.

Phosphorized tin, an article made by adding a small percentage of phosphorus to tin, being a species or form of tin, is entitled to free entry under paragraph 683, act of 1897. The addition of the phosphorus not having changed its name, character, or use, and the article so produced being tin and nothing more, is classifiable as tin. (Dennison *v.* United States, 72 Fed. Rep., 258.)

Raw phosphorus is protected under the present tariff by 18 cents per pound, but phosphor copper and phosphor tin—both manufactured products made from phosphorus and copper and phosphorus and tin, respectively—are on the free list. The manufacture of copper or tin to contain 15 or more per cent of phosphorus is a new industry. A few years ago 5 per cent of phosphorus was the limit that could be introduced into copper and tin, and as foreign phosphorus can be secured by foreign manufacturers at a considerable reduction over American manufacturers, the latter have been losing trade gradually to foreign manufacturers. We estimate the domestic capital employed in the manufacture of phosphorus, phosphor copper, phosphor tin, and its allied industries at over $3,000,000.

Mr. UNDERWOOD. What do they use it for?

Mr. KLEE. To make phosphor-bronze. The ruling of the Treasury Department was a very unjust ruling. There is a vast difference between phosphorus put into tin and copper and pure tin and phosphor. Phosphor tin and phosphor copper can only be used for one purpose, to make phosphor-bronze. Pure tin or pure copper can be used for hundreds of purposes.

Mr. DALZELL. What are you advocating?

Mr. KLEE. I advocate a duty on phosphorized tin or phosphorized copper equal to the duty on the raw phosphorus. Phosphorus to-day has a duty. The raw phosphorus which we have to purchase is protected by 18 cents a pound, but the manufactured article which we make comes in competition with the foreign manufactured article that is bought abroad at from 15 to 18 cents a pound on the phosphorus cheaper than what we can secure it for in the American market.

Mr. UNDERWOOD. All you ask, then, is a duty on the finished prod-

Digitized by Google

uct to the extent of what you have to pay as duty on your raw material. Is that it?

Mr. KLEE. We ask in addition to that a cent a pound for the difference in the cost of labor and the crucibles. The American crucibles are considerably higher than the foreign crucibles.

The CHAIRMAN. Is your raw material manufactured here?

Mr. KLEE. Yes, sir; it is manufactured here by the General Chemical Company and American Phosphorus Company, and various companies in the North. The raw phosphorus is protected by 18 cents per pound, and we are obliged to go into the American market and pay as high as 42 cents per pound for this phosphorus. The foreign makers have a price of from 20 to 22 cents per pound. The ruling of the appraisers was the entering wedge of the foreign imports into the country of phosphorized copper. Up to within two years ago there was no attempt made to introduce more than 5 per cent of phosphorus into metal; but right after this ruling, by which the foreign makers could bring in phosphorized copper or phosphorized tin under the free list, it naturally paid them to introduce a greater percentage of phosphorus into the metal.

Mr. DALZELL. Was this article not imported into this country prior to that ruling?

Mr. KLEE. No, sir. That was the first; that was the start. Previous to that the foreign manufacturers assumed that they would have to pay an ad valorem duty of 45 per cent, and it was never attempted. This one lot that came in contained less than 1¼ per cent of phosphorus. That was the entering wedge. After that the increase of the percentage of phosphorus in the metals went up to a point where now there is over 15 per cent of phosphorus in the copper, which is let in free of duty.

Mr. GAINES. What are these materials used for? Would an increase in the duty on them necessitate an adjustment of other duties?

Mr. KLEE. We are asking to take the duty off raw phosphorus, off the material, or else to put the duty on the manufactured phosphor tin and phosphor copper.

Mr. GAINES. It might be necessary to know what will be done with it. Suppose we should increase the duty on phosphorized tin and copper. Would that necessitate increasing the duty somewhere else to compensate?

Mr. KLEE. No, sir; on nothing at all.

Mr. GAINES. What is it used for?

Mr. KLEE. To manufacture phosphor-bronze bearings, metals for railroads and rolling mills. They must have bronze bearings and they are made of a certain kind of bronze.

Mr. GAINES. This is the raw material that is used in the manufacture of that sort of bearings?

Mr. KLEE. Yes, sir.

Mr. CRUMPACKER. Is that duty on phosphorus unnecessarily high, in your judgment?

Mr. KLEE. I can not say. I have not the slightest idea of the cost. I know we paid as high as 42 cents a pound previous to the competition. Other phosphorus markets have sprung up, and competition has brought the price down to about 35 cents.

Digitized by Google

Mr. CRUMPACKER. What is it worth abroad?

Mr. KLEE. Twenty to 22 cents. They need a duty, no doubt, as far as I can understand.

Mr. CRUMPACKER. Twenty-two cents abroad and 35 cents here. They have how many cents now?

Mr. KLEE. Eighteen. That is probably ample for the phosphorus makers.

Mr. CRUMPACKER. And the difference in price or value now is about 13 cents a pound?

Mr. KLEE. Say 15.

Mr. CRUMPACKER. Say 15 cents; and then the foreign producer has to pay the freight over to this country, so, perhaps 12 cents a pound would fairly cover the difference in the cost price?

Mr. KLEE. I would not want to give you any figures. I do not know anything about the cost of phosphorus. I know what we have to pay for it.

Mr. LONGWORTH. What is the total production of phosphorus in this country?

Mr. KLEE. Phosphor tin and phosphor copper are, possibly, $1,000,000; the phosphor bronze, possibly, $50,000,000.

Mr. GAINES. What are the importations; do you know?

Mr. KLEE. I asked the Bureau of Statistics on that, and received a reply that they do not classify phosphor copper and phosphor tin. They both come in under tin or copper.

Mr. BONYNGE. It comes in under tin or copper, so it is not a separate class.

Mr. CLARK. How would it strike you to put this phosphorus on the free list?

Mr. KLEE. I do not ask that; but that will fit our case all right. If we are put on an equal basis, plus, possibly, 1 cent a pound for the difference in the manufacture of our material, we will not ask anything further.

Mr. CLARK. But you are a little tender about asking for it?

Mr. KLEE. For what; free phosphorus?

Mr. CLARK. Yes.

Mr. KLEE. I am not working for the other fellows interested in it.

Mr. BONYNGE. It is because you do not know anything about it, is it not?

Mr. KLEE. I do not know anything about the raw material.

Mr. CLARK. I am not asking him about the effect on the other man. I am asking you whether putting that on the free list would satisfy you?

Mr. KLEE. Yes, sir; plus the 1 cent a pound for manufacturing our article.

Mr. CLARK. Why did you not think of that as an alternative proposition when you came in here?

Mr. KLEE. I have it in my brief. I did not want to take up your time with it.

Mr. CLARK. I am very much obliged. I beg your pardon. That is all.

Digitized by Google

BRIEF SUBMITTED BY WILLIAM B. KLEE, PITTSBURG, PA., RELATIVE TO PHOSPHOR COPPER AND TIN.

PITTSBURG, PA., *December 3, 1908.*

Hon. SERENO E. PAYNE,
Chairman of the Ways and Means Committee,
Washington, D. C.

DEAR SIR: We beg to submit for the consideration of your honorable committee the placing of a duty on phosphor copper and phosphor tin, both manufactured articles.

Raw phosphorus is protected under the present tariff by 18 cents per pound, but phosphor copper and phosphor tin, both manufactured products made from phosphorus and copper and phosphorus and tin, respectively, are on the free list. The manufacture of copper or tin to contain 15 or more per cent of phosphorus is a new industry. A few years ago 5 per cent of phosphorus was the limit that could be introduced into copper and tin, and as foreign phosphorus can be secured by foreign manufacturers at a considerable reduction over American manufacturers, the latter have been losing trade gradually to foreign manufacturers.

We estimate the domestic capital employed in the manufacture of phosphorus, phosphor copper, phosphor tin, and its allied industries at over $3,000,000, part of which will be lost or withdrawn from this industry if protection is not given to them. If the present duty is retained on the raw phosphorus without a corresponding duty on the manufactured product it will be a question of but a very short time before the entire American trade will be supplied by European manufacturers. We therefore pray that your honorable body will see fit to give the American manufacturers of phosphor copper and phosphor tin a duty on the phosphorus contents of phosphor copper and phosphor tin equal to the duty on raw phosphorus plus the difference in the cost of European and American labor to manufacture phosphor copper and phosphor tin. To place American manufacturers on a basis whereby they can regain their lost trade the following duty is needed:

Seven cents per pound for 20 per cent phosphor-copper and phosphor-tin.

Five cents per pound for 15 per cent phosphor-copper and phosphor-tin.

Four cents per pound for 10 per cent phosphor-copper and phosphor-tin.

Three cents per pound for 5 per cent phosphor-copper and phosphor-tin.

The following figures illustrate the disadvantages the American manufacturers have, and are based on the latest information of foreign cost, together with the latest cost to manufacture; and in explanation of the following figures would state that it is necessary to introduce 20 per cent of phosphorus in order to secure a manufactured product containing 15 per cent phosphorus and the balance copper; it is necessary to introduce 13 per cent phosphorus in order to secure a manufactured product containing 10 per cent phosphorus, and it is necessary to introduce 6 per cent in order to secure

Digitized by Google

a manufactured product containing 5 per cent of phosphorus. Figures as follows:

15 per cent phosphor copper.

American cost per 100 pounds:		European cost per 100 pounds:	
20 per cent phosphorus, 35 cents	$7.00	20 per cent phosphorus, 20 cents	$4.00
80 per cent copper, 14 cents	11.20	80 per cent copper, 14 cents	11.20
	18.20		15.20
Loss 16 per cent in smelting	2.91	Loss 16 per cent in smelting	2.43
Crucible and fuel	.60	Crucible and fuel	.42
Labor	1.10	Labor	.70
	22.81		18.75

10 per cent phosphor copper.

American cost per 100 pounds:		European cost per 100 pounds:	
13 per cent phosphorus, 35 cents	$4.55	13 per cent phosphorus, 20 cents	$2.60
87 per cent copper, 14 cents	12.18	87 per cent copper, 14 cents	12.18
	16.73		14.78
Loss, 10 per cent in smelting	1.67	Loss, 10 per cent in smelting	1.48
Crucible and fuel	.50	Crucible and fuel	.36
Labor	1.05	Labor	.65
	19.95		17.27

5 per cent phosphor copper.

American cost per 100 pounds:		European cost per 100 pounds:	
6 per cent phosphorus, 35 cents	$2.10	6 per cent phosphorus, 20 cents	$1.20
94 per cent copper, 14 cents	13.16	94 per cent copper, 14 cents	13.16
	15.26		14.36
Loss, 5 per cent in smelting	.76	Loss, 5 per cent in smelting	.72
Crucible and fuel	.45	Crucible and fuel	.30
Labor	1.00	Labor	.60
	17.47		15.98

Respectfully submitted.

DAMASCUS BRONZE CO.,
W. B. KLEE, *President.*

GENERAL CHEMICAL CO.,
MORO PHILLIPS WORKS,
Philadelphia, Pa., April 20, 1907.

Mr. R. F. LANG,
2, 4, 6 Old Slip, New York City.

DEAR SIR: Noting your advertisement of Royal phosphor copper, we would inquire if you are manufacturers of this compound. If not, can you advise us who does make it?

We ask this information so that we may take up the subject of supplying the manufacturer with phosphorus, which we are in position to quote at very advantageous figures at present.

Thanking you for reply, and with best respects, we are,

Yours, truly, ——— ———.

Digitized by Google

NEW YORK, *April 22, 1907.*

GENERAL CHEMICAL CO.,
608 Philadelphia Bourse, Philadelphia, Pa.

GENTLEMEN: Replying to your favor of April 20, I beg to state that Royal phosphor copper is made abroad and I therefore doubt whether you can compete with the manufacturers of phosphorus there.

Yours, very truly, R. F. LANG.

WATERBURY, CONN., *December 23, 1907.*

GENERAL CHEMICAL COMPANY,
Moro Phillips Works, Philadelphia, Pa.

GENTLEMEN: For some years we had quite a large sale of phosphorus to the brass-casting shops in the Naugatuck Valley. We find that most of them now are using Royal phosphor copper, 15 per cent purchased from R. F. Lang, 31 Broadway, New York. We would like to be able to regain this trade, and ask if you can give us any advice in this matter.

Yours, truly, APOTHECARIES HALL CO.,
L. WILCOX, *Secretary.*

W. B. KLEE, DAMASCUS BRONZE CO., PITTSBURG, PA., FILES SUPPLEMENTARY BRIEF RELATIVE TO PHOSPHOR TIN AND COPPER.

PITTSBURG, PA., *December 23, 1908.*

Hon. JOHN DALZELL, M. C.,
Washington, D. C.

HONORABLE SIR: Acting upon your suggestion, after my hearing on December 4, 1908, before the Ways and Means Committee, to protest to the Treasury Department the importation free of duty of phosphor copper and phosphor tin containing 5 to 15 per cent of phosphorus, whereas phosphor pays a duty of 18 cents per pound, I received the following reply:

TREASURY DEPARTMENT, OFFICE OF THE SECRETARY,
Washington, December 22, 1908.

DAMASCUS BRONZE COMPANY, *Pittsburg, Pa.*

GENTLEMEN: The department duly received your letter of the 7th instant, in which you take exception to the practice at the port of New York in admitting free of duty phosphorized copper and phosphorized tin containing from 5 to 15 per cent or more of phosphorus.

The collector of customs at the port mentioned states, in a letter dated the 17th idem, that it is his practice to classify "phosphorized tin" under paragraph 683 of the tariff act, which provides for "tin in bars, block, pigs, or grain or granulated," by virtue of the decision of the Board of United States General Appraisers of May 21, 1903 (G. A. 5342, T. D. 24442), and to classify "phosphorized copper" as free of duty under paragraph 533 of the said act, as a "composition metal of which copper is the component material of chief value."

In view of the express provision of paragraph 533 that all composition metal of which copper is the component material of chief value shall be admitted free of duty, it is clear that the phosphorized copper in question can only be excluded from free entry under paragraph 533 where the phosphorus is the element of chief value.

As to the phosphorized tin, the department is of the opinion that, regardless of the percentage of phosphorus, the merchandise is properly free of duty under paragraph

Digitized by Google

683 so long as the article has not lost its identity as tin, and accordingly approves the practice of the port of New York in the classification of the merchandise under consideration.

Respectfully, JNO. REYNOLDS, *Assistant Secretary.*

In view of this ruling may we ask for your assistance in having the new tariff law changed so as to protect the American manufacturers of phosphor copper and phosphor tin by adding to paragraph 683 the words "excepting copper containing 3 per cent or more of phosphor," and by adding to paragraph 533 the words "excepting tin containing 3 or more per cent of phosphor," and the placing of each of these manufactured products on the protected list, as suggested by my briefs submitted to the Ways and Means Committee December 4, 1908. As the law now stands it is incongruous, as we come in competition with European phosphor copper, the phosphorus costing them about 20 cents per pound, admitted free of duty when manufactured into phosphor copper and phosphor tin, but are obliged to purchase either higher priced protected American phosphorus or purchase European phosphorus and pay a duty of 18 cents per pound.

Thanking you for any assistance you may render us in this matter, we remain,

Respectfully, yours, DAMASCUS BRONZE CO.,
W. B. KLEE, *President.*

Digitized by Google

SCHEDULE D.

WOOD AND MANUFACTURES OF.

Digitized by Google

Digitized by Google

SCHEDULE D—WOOD, AND MANUFACTURES OF.

LUMBER.

STATEMENT OF THEODORE M. KNAPPEN, OF MINNEAPOLIS, MINN., SECRETARY OF THE NATIONAL FOREST CONSERVATION LEAGUE RELATIVE TO FREE LUMBER.

FRIDAY, *November 20, 1908.*

The CHAIRMAN. Please state to the committee your full name and residence.

Mr. KNAPPEN. Theodore M. Knappen, Minneapolis, Minn.

The CHAIRMAN. And your occupation?

Mr. KNAPPEN. I am engaged in the real estate business. I appear here as a representative of the general public, and also as secretary of an organization known as the National Forest Conservation League.

The CHAIRMAN. You may proceed.

Mr. KNAPPEN. Gentlemen of the Ways and Means Committee of the House of Representatives, I desire to submit some considerations in favor of the repeal of the tariff on lumber and forest products generally. It appears to us that there is a very direct connection between forest conservation and the tariff. We desire to address you from the standpoint of general national welfare and from the standpoint of the consumer of forest products, especially lumber. We are confident that there is an overwhelming public opinion in favor of the repeal of Schedule D, in general, though from lack of knowledge of facts regarding some of the items embraced in that schedule we would not undertake to say that everything therein should be placed on the free list, but there is no doubt in our minds that the tariff should be repealed on all items covering forest products, lumber, and unmanufactured wood which are produced in the United States.

In all tariff legislation those who are or who imagine they will be directly and extensively affected in their individual business interests are naturally ready and keen to present their side of the case. As a rule, what is the interest of the people as a whole affects each individual in his own business, and at the passing moment so slightly that interests which in the aggregate are immense and overpowering often lack a proper presentation. Our league has therefore resolved to concern itself with this matter, and it is our hope to eventually make a showing that will prove what we believe is a fact, namely, that the common interests of the great consuming population of this country, and also those of national welfare, call for the repeal of the tariffs on forest products.

Digitized by Google

Throughout a large part of the country the people feel that it is unwise to tax importation of those raw products of which there is, so to speak, but one crop, such as coal, ores, and, practically, timber. It seems to them good national economy to conserve the domestic supply of such products. The case of timber seems the most pressing, because we are now at least within a measurable time of its exhaustion. So we find that the President of the United States, in his last annual message, recommended free forest products; that the legislature of the State of Wisconsin has memorialized Congress to repeal the duty on lumber (and until recently Wisconsin was one of the greatest lumber-producing States and is still near the top); that the 1908 Republican platforms of Minnesota and North Dakota call for the repeal of the duties on forest products, so also the Democratic national platform, and the Republican national platform makes a general declaration that many people have interpreted to mean repeal or reduction of the lumber duties. At any rate, those who are opposed to the repeal or revision of the lumber tariff characterize the Republican declaration as "dangerous to the lumber industry." Only yesterday the national organization of the Grange, representing a million farmers, adopted resolutions calling for the repeal of the duties on forest products. The Republican party is pledged to tariff revision, and the people will look to the lumber schedule as much as any other for a realization of that pledge.

In this paper we propose to show that the repeal of the tariff schedule under discussion is not contrary to any theory of the tariff, but is, in fact, free trade that protects. As we understand it, the main justification of the protective tariff has always been the desirability of protecting the high-priced labor of this country against the inferior-priced labor of other countries. We will show that so far as the subject under discussion is concerned such protection is no longer required. We maintain that our American forests are now so near their ultimate destruction that they require protection; that is, conservation, and that one potent way to conserve them is to broaden the source of supply for the immense American lumber market. The only way in which that supply can be immediately and effectively broadened is by drawing on the forests of other countries, which can only be accomplished by repeal of duties which restrict trade in forest products. Reforestation is a matter of one or two or, perhaps, three generations, and only by drawing on the supplies of other countries can we widen our source of supply and reduce the drain on our own forests.

If there were no timber in the United States no one would contend for the maintenance of a tariff on timber. If we are now on the verge of a timber famine, as many authorities, both practical and theoretical, concede, should we not take time by the forelock and by protecting our forests through legislation that will tend to reduce the drain upon them, put off the evil day?

First, then, we desire to present some facts showing the decline of our forests and the approach of a timber famine. Mr. R. S. Kellogg, chief of the Office of Wood Utilization in the United States Department of Agriculture, says, in Circular No. 129, 1907, that all the statistics and conservative estimates indicate that our present consumption of wood in all forms is equivalent to at least 100,000,000,000 board feet annually, and says that one leading authority has esti-

Digitized by Google

mated the total consumption of wood in the United States at 150,000,000,000 board feet, and this takes no account of the destruction of timber by fire and natural causes. The total consumption of timber for lumber alone, in 1907, was 40,256,154,000 feet, according to a bulletin issued by the Department of Commerce and Labor.

Quoting Mr. Kellogg again:

The estimates of the forest area of the United States run from 500,000,000 acres to 700,000,000 acres, and it is safe to say that under present conditions the annual growth does not exceed 60 board feet per acre. This gives in one case a yearly increase of 30,000,000,000 feet and in the other case one of 42,000,000,000 feet. In other words, it appears that the annual growth of our forests does not exceed the amount of wood used for lumber alone. Considering all the drainage upon the forests, the annual consumption of wood is probably three times the annual growth.

The estimates of standing timber in the United States are by no means satisfactory. The most detailed ones range roughly from 1,400 to 2,000 billion feet. Assuming a stumpage of 1,400 billion feet, an annual use of 100,000,000,000 feet, and neglecting growth in the calculation, the exhaustion of our timber supply is indicated in fourteen years. Assuming the same use and stand, with an annual growth of 40,000,000,000 feet, we have a supply for twenty-three years. Assuming an annual use of 150,000,000,000 feet, the first supposition becomes nine years and the second thirteen years. Assuming a stand of 2,000 billion feet, the use of 100,000,000,000 feet and neglecting growth, we have twenty years' supply. Assuming the same conditions, with an annual growth of 40,000,000,000 feet, we have thirty-three years' supply. With an annual use of 150,000,000,000 feet, these estimates become, respectively, thirteen and eighteen years.

There is another way of looking at the question. The two leading kinds of lumber on the market now are southern yellow pine and Douglas fir. The cut of yellow pine is nearly one-third of the total lumber cut, and is nearly, if not quite, at its maximum. Our minimum and maximum estimates of yellow pine stumpage are 130,000,000,000 and 300,000,000,000 feet. The present rate of cutting will exhaust the supply in about ten years in the first case, and in twenty-five years in the second case, neglecting annual growth, which is rapid with old-field pine and slow with long-leaf pine. The largest estimate of the stand of Douglas fir is 350,000,000,000 feet. This means a seventy years' supply at the present rate of cutting, neglecting annual growth. As it is probable, however, that the cut will more than double within a few years, the outlook is that there will be comparatively little Douglas fir left in from twenty-five to thirty years. The case of Douglas fir now is closely parallel to that of white pine in the Lake States thirty years ago, and there is much reason for believing that the supply of fir outside of the national forests thirty years hence will be as limited as that of white pine now.

Mr. R. A. Long, a lumberman, in an address in January, 1903, before the Southern Lumber Manufacturers' Association, after a very careful inquiry as to the white and Norway pine of the Lake States, the yellow pine of the South, and the Pacific coast timber, predicted that within ten years the Lake States would probably play no larger part in the lumber supply of this country than did poplar at that time. As to the life of the southern yellow pine, he predicted that eighteen years would find it cutting no great figure in the lumber supply. Taking white pine, yellow pine, and Pacific coast timber all together, he estimated that the life of all was forty-one years. That is a practical lumberman's estimate.

In a paper on forest conservation presented at the conference on the conservation of natural resources in Washington last May, Mr. Long reviewed his prediction and said that so far as the supply of timber in the Lake States and that of southern yellow pine was concerned he was more confident of the correctness of his prediction after the lapse of five years than he was when he made it. He was not so sure as to the supply of the timber on the Pacific coast, but

Digitized by Google

said that he did not believe that the total life of the forest supplies of the forests referred to would vary five years from the figure originally given. As for the idea that other woods would take the place of leading species named, Mr. Long said that he calculated that long before any of the woods in question had been exhausted practically all other woods in our nation—that is, all the other woods that may be used as substitutes—would have largely passed out of use. Mr. Long has little faith that substitutes for wood will curtail the demand for lumber. He points out that even in England, where nearly all of the lumber used is imported, the consumption per capita is increasing at the rate of 5 per cent per annum. In France it increases at the rate of 10 per cent per capita, which is also the rate of increase in this country.

Circular No. 97, prepared by Mr. R. S. Kellogg, of the Department of Agriculture, says that the original stand of white pine, including Norway, in the Lake States was estimated at 350,000,000,000 feet, and that since lumbering began there, some seventy years ago, the total cut has probably not been less than 250,000,000,000 feet. Continuing he says:

> It is well known that the days of white pine are rapidly passing, and even accepting the most sanguine estimates of the present stumpage it will, in a few years, cease to be a large factor in the timber supply of the United States. The present annual cut is about 3,000,000,000 feet in the Lake States and 1,000,000,000 in the other States. The total is less than half the cut in the Lake States alone in the latter eighties.

At the annual meeting of the Northern Pine Manufacturers' Association in Minneapolis, Minn., January 22, 1907, Secretary J. E. Rhodes made this striking statement:

> Since 1895, 248 firms, representing an aggregate annual output of pine lumber of four and one-half billion feet, have retired from business, due to the exhaustion of their timber supply. Plants representing approximately 500,000,000 feet capacity which sawed in 1906 will not be operated in 1907.

The white-pine industry reached its maximum eighteen years ago, and its output now is less than 50 per cent of what it was at that time.

The amount of hard-wood stumpage is very indefinitely known, and is determinable only with difficulty, owing to the scattered and uneven stands. It was estimated at some 435,000,000,000 feet by the census of 1880, at possibly 300,000,000,000 by the census of 1900, and at 400,000,000,000 by the American Lumberman in 1905. Whatever the total stumpage may be, that which is fit for the saw is rapidly decreasing. The hard wood cut in 1900 was 8,634,000,000 feet. Four years later, in 1904, it had fallen to 6,781,000,000 feet. The present annual cut of hard woods is about 5,000,000,000 feet, consisting of approximately 43 per cent oak, 12 per cent poplar, 9 per cent maple, and lesser amounts of numerous other species. Here we have evidently a declining industry.

In Circular No. 116, by Mr. William L. Hall, of the Department of Agriculture, special attention is paid to the waning hard-wood supply. He points out that owing to the decline of the hard-wood forests, Ohio and Indiana have already lost the main part of their hard-wood manufactures, and that other States are threatened with the loss of industries dependent on hard woods, such as hard-wood lumber manufactures, cooperage, furniture making, musical instru-

Digitized by Google

ments, vehicle manufactures, agricultural implements, car building, railroad ties, telephone and other poles, and house finishing.

Continues Mr. Hall:

How intensely the whole country would feel the loss of its hard-wood timber, to an ample supply of which it has long been accustomed, can scarcely be realized.

Without hard wood for building purposes, for railroad ties, for the manufacture of furniture, cooperage, and vehicles, and for the varied other uses to which it is put, we should be in sad straits indeed. A general failure in crops may affect industrial conditions for a few years—a failure in the hard-wood supply would be a blight upon our industries through more than a generation. The situation in brief is this: We have apparently about a fifteen years' supply of hard wood now ready to cut. Of the four great hard-wood regions, the Ohio Valley States have been almost completely turned into agricultural States, and the lake States and the lower Mississippi valley are rapidly following their example.

In the Appalachian Mountains we have extensive hard-wood lands which have been culled and greatly damaged by fire. These are practically all in private hands, and while they contain a large amount of inferior young timber, they are receiving little or no protection, and even such young timber as exists is making but slight growth. Even if these cut-over lands be rightly managed they can not greatly increase their yield of merchantable timber inside of from thirty to forty years.

The inevitable conclusion is that there are lean years close ahead in the use of hard-wood timber. There is sure to be a gap between the supply which exists and the supply which will have to be provided. How large that gap will be depends upon how soon and how effectively we begin to make provision for the future supply. The present indications are that in spite of the best we can do there will be a shortage of hard woods running through at least fifteen years. How acute that shortage may become and how serious a check it will put on the industries concerned can not now be foretold. That it will strike at the very foundation of some of the country's most important industries is unquestionable. This much is true beyond doubt, that we are dangerously near a hard-wood famine and have made no provision against it.

Minnesota is the leading white-pine producing State, but even there the destruction of the forests has proceeded so rapidly that scores of towns and cities that were formerly great manufacturing centers have ceased to produce a stick, thus repeating the history of the rise and fall of lumber manufacturing centers in Michigan and Wisconsin. Eight years ago the city of Minneapolis was the largest lumber manufacturing center in the world. Now, it will scarcely produce 300,000,000 feet of lumber within a year, and it is predicted by lumbermen that the last sawmill will be abandoned in Minneapolis within five years. A friend calls attention to the fact that he recently took a journey of 200 miles north from Minneapolis, 170 miles of which was through a region once covered by one of the finest white-pine forests the world has ever known, and that in all that distance he saw only 10 acres of merchantable pine timber, and that was being preserved as a curiosity by its owners, the United States Steel Corporation. To cite another personal experience as graphically illustrating the decline of the forests even in the far West, I will say that on a journey between Portland, Oreg., and Vancouver, British Columbia, a distance of about 270 miles, through the heart of the area covered by the original forest, not a single logging operation could be seen from the train.

Former Governor Van Sant, of Minnesota, who has been associated with the lumber industry for more than forty years, says that once there were 100 sawmills below Minneapolis on the Mississippi River and north of St. Louis, and that to-day there are only 2 mills left, and their wheels will cease to turn within another year.

Digitized by Google

Ten years ago southern or Georgia pine, on account of its hardness and coarseness, was scarcely considered an article of commerce, its uses being limited to flooring and finishing purposes. In 1906, on account of the disappearance of white pine and other finer woods, there was eleven and one-half billion feet of yellow pine manufactured into lumber, or 30 per cent of the total lumber product of that year. The same is largely true of western fir; the increased production in the State of Washington alone up to 1906 being thirteen fold greater than that of 1880. The total production of lumber in the United States in 1880 was 18,000,000,000 feet, and in 1907 40,000,000,000 feet.

I devote a good deal of time to showing the effect of the destruction of the forests on agriculture and a great many industries also, and its effect upon the climate, but those are conceded facts and there is no use taking up your time with that now.

The CHAIRMAN. You can print that portion.

(The statement referred to follows:)

The effect which the denudation of the forest area has had upon the flow of water in our rivers and their tributaries is apparent to every one. Its effect upon the rainfall is, however, not so apparent, and can be determined only by the most careful scientific observations. It, however, seems reasonable to suppose that moisture held back in the forests by moss, grasses, leaves, etc., increases the amount of evaporation over that of the same area after being bared by the removal of the timber. The difference in the amount of soil washed, also between that of a forest area and the same area with the forest removed, is so apparent as to need no scientific demonstration. As an argument in support of these two propositions, I quote liberally from writers of known authority.

In the Canadian Magazine of recent date a well-known Canadian authority makes the following assertion:

The results from excessive denudation of mountain sides are too well known to require much comment. Thoreau probably had more than the sentimental in his mind when he deplored the ruthless work of the ax on his New England hills and exclaimed "Thank God, they can't cut down the clouds."

In southern Europe, in northern Africa, and in Asia Minor large sections of country, once the most fruitful in the world, rich with the products of fertile soil and genial climate, are now dreary wastes and incapable of yielding sufficient to sustain even a scattered population. This deplorable state of affairs has resulted from the clearing away and destruction of the timber on the mountain and hill sides. But it is scarcely necessary to go so far afield for examples of the injurious effects of overdenudation, for in many parts of older Ontario and Quebec a water famine is fast approaching from this cause. The former, as has been said, is rapidly becoming a prairie province. Streams that in early years were comparatively equitable in their flow and perennial in character are now raging torrents in the early spring and dry in the later summer months. And why is this? Simply because the natural reservoir has been destroyed. I can not refrain in this connection from quoting the very pertinent remark of Captain Eads when he was engaged in building dikes on the lower Mississippi, that he was working at the wrong end of the stream. Public attention on this subject within recent years has been to a limited extent awakened in both the United States and Canada, and the necessity of taking some steps to prevent future disaster has been seen.

Frank Vrooman, another recognized authority, makes the following startling observations of one particular flood:

The Kansas River floods of 1903 destroyed $20,000,000 worth of property and 100 lives. One of the most fertile valleys on the continent, 120 miles long, was partly destroyed. Here the rich soil was cut away; there it was covered with sand 6 and 8 feet deep over the field. Holes were cut and lakes left behind.

Digitized by Google

Out of 250,000 acres of wonderfully fertile soil, 10,000 were completely destroyed, 10,000 more lost 50 per cent of their value, and the uncertainty left behind depreciated the value of the whole valley.

A writer in Outing Magazine says:

The fact is that the forests are intimately associated with the material welfare of practically every industry and every business in the United States, and their preservation should therefore naturally be a matter of concern to every breadwinner in America.

In the first place the forests have a direct and tremendous influence upon agriculture and, as I have already said and as you all know, the farming interests of America affect the entire country from banks to cobbler. The forests are nature's reservoirs. Wherever they have been cut away disastrous floods have followed as an annual visitation. From a manufacturing point of view the trees enter into the commercial health of a great many of our States and touch intimately every industry employing wood. Exhaustion of the hard-wood supply means the loss of these industries to the States in which they are at present located, since it stands to reason that such industries can not exist when the supply of raw material has vanished.

How seriously America would feel the exhaustion of its hard-wood timber is difficult to realize, especially since in times past the supply has been so ample that we have become accustomed to lavish use. Without hard wood for building purposes, for the manufacture of furniture, for railroad ties, for the manufacture of all kinds of vehicles, and for cooperage, not to speak of telephone and other poles or of agricultural implements, we certainly should be in difficulties.

I am inclined to believe that the failure of the hard-wood supply would more seriously affect the industrial condition than the failure of crops, because crop failure at its worst would be an affliction of one or two years, whereas once the wood supply fails there is no restitution within a generation. Under existing conditions of protection we have, it is said, of hard-wood timber lumber fit to be cut only about fifteen years' supply. Apart from its value as a future hard-wood supply station is the additional and extremely important fact that the streams which water the agricultural lands of the Appalachian region take their rise in a great many instances in this range. Last year there was an illustration in a part of this region of what a flood means in a country where the timber has been cleared, and during every spring we are given almost daily evidence of the disaster that falls upon farm lands where the woodlands, which are the natural reservoirs of farm land, have been cleared of their protecting timber.

The most important manufacturing region of the country is New England, and the majority of its manufacturing industries are dependent, to a large or total degree, upon the rivers which come from the White Mountains, in the Appalachian region. The five States of New England in 1900 contained 53,752 manufacturers, with a total capital invested of $1,409,000,000, and a yearly output of product worth $1,690,000,000 and an annual employee pay roll amounting to $380,000,000. Now consider that 75 per cent of this capital is dependent upon an uninterrupted water supply, and remember that the water supply, in turn, is largely dependent on the forests for its natural reservoir.

As an instance of the effect on soil and agriculture resulting from the unchecked erosion following the destruction of the forests, take the White and Appalachian mountains, which are described as great lumps of earth mingled with stones. The rains and snows wear them away, as spray from a garden hose would wear away a lump of potter's clay. Until man destroyed it, the forest was spread over them, breaking the rush of rain, carrying it in funnels down the trunks of trees or letting it drip harmlessly from the boughs. Thickly covering the ground was a warp or woof of dead leaves, twigs, boughs, humus, and a mat of small green things sheltered by the great trees. The very spirit of the woods is one of shade and moisture, mosses, and the slow overflow of cool springs. This spirit has been changed by the destruction of the forests. The mountains have begun to dissolve and wash down upon the lowlands. The streams are commencing to silt up with mud. The nap of nature's protecting towel was the large trees. These were taken by lumber companies. The pulp mills followed and sheared to the ground; and then came the farmer, digging up the soil on the lower slopes with plow and harrow, so that a few years of bearing rain and rush of freshets of snow water could not fail to take away

Digitized by Google

the very soil itself; and where the farmer fails to go runs the fire, destroying more than man has destroyed, burning up the very humus of the soil, killing the little plants, baring the earth to all the forces of erosion. The inevitable result is a desert.

Professor Shaler, a conservative scientist, who weighed his words, states in 1896 that 3,000 square miles of highlands south of Pennsylvania had been destroyed for human use and its very soil carried down to the lowlands and the sea, and that arable and forestable lands were then being lost at the rate of 100 square miles a year. Every year since then this leprosy of destruction has spread more and more rapidly. In passing to the lowlands the soil covers up the rich bottoms with sterile detritus, and in reaching the sea it has to be rolled along the beds of navigable rivers, destroying their navigability. With no forest to hold back the waters every year the floods grow worse. This world is as large as it ever will be. We can not make it one inch larger, but we can destroy its usefulness by abuse. Civilized people should be ashamed to do this, and yet we who call ourselves civilized are wasting this planet on which we live at the rate of, perhaps, 200,000 square miles annually—land which our children may so bitterly need.

In this connection it is sufficient to merely refer to the floods of the Ohio River valley, which within the past five or six years are estimated to have damaged property in that valley to the extent of 100 million dollars. It is only necessary to mention the great floods of the Mississippi, the Missouri, and countless other streams.

Even the practical lumberman, whose interests are centered so largely in the destruction of the forests without regard for the future, concedes the danger that threatens a forestless land.

Mr. R. A. Long, the lumberman previously quoted, says in one of his addresses:

It is conceded also that forests aid much in the utilization of our rainfall, as the leaves and branches of trees and the accumulation of humus and leaf mold resist the compacting effect of the rain drops, and hence the soil is kept loose, allowing the water to readily percolate. This covering of the loose litter, twigs, etc., absorbs and holds back the precipitation, preventing its disappearing rapidly by surface drainage, goes largely into the ground, and as a subsoil or underground drainage, reappears in the form of springs, which, being gradually fed by percolation from above, themselves feed rivulets or streams of perennial character. The snows of winter melt more gradually in forest-covered areas, giving more time for the water resulting therefrom to soak into the ground and pass off through the springs. The streams fed from such sources have a continuous supply to be used for irrigation or such other purposes as man may require.

On the other hand, when the forest lands have been denuded the rainfall passes rapidly away, and its resulting effect is not long felt or seen excepting by the filling of the channels of the stream by silt, sand, and gravel washed from above, and the result of the waters having spread over the adjacent lowlands, destroying crops, improvements, live stock, and sometimes even the lives of the inhabitants. It is not unusual in some sections for the fertile valley lands to be destroyed by gravel, stones, and débris carried and deposited by the waters.

Water power exerted through electrical energy, and in operation in so many industries, is impossible without constant and uniform water supply, and this can not be had except along streams whose headwaters have an adequate protection of forest covering, otherwise the erosion of the soil soon fills the reservoirs and waters running unobstructed on the surface converge in great torrents, carrying logs and débris of all kinds, surging irresistibly through the river valleys, taking with it dams, gates, power plants, and destroying what it can not carry away.

Originally the rivers and even the rather small water courses of our country were to a greater or less extent navigable. Their channels were deep, their waters mostly clear and free from sediment and silt. At the present time, owing to the deforestation of the lands along their banks and especially of their headwaters, the breaking up of the sod and the loosening of the soil consequent upon settlement and cultivation of crops, these channels, formerly deep, have

Digitized by Google

been in some instances entirely filled, everywhere rendered more shallow, until water transportation has ceased and river navigation has become almost obsolete on rivers which were once teeming with commerce.

We have it upon the authority of the Holy Writ that a thousand years before Christ the eastern shore of the Mediterranean was the seat of large cities having an extensive maritime commerce. The mountain region bordering east and west, extending for many miles inland, was covered with a dense forest comprising the cedar of Lebanon, the fir, and the sandalwood, covering an area of 3,500 square miles. The inhabitants of Sidon were largely engaged in cutting, hewing, and shipping timbers from the forests of Lebanon, and the seat of Sidon was a great market and its citizens skilled axmen * * *.

These forests have all been destroyed, with no renewal thereof, and with their destruction disappeared the fertile soil. The rain-bearing clouds still float above the mountains of Syria, but they pass on over the bare and heated rocks, and the brooks and small streams of Palestine no longer exist, and throughout Syria stone furnishes the only material for building and wood is as precious as silver.

May it not be true that the destruction of Tyre and Sidon was in great part in consequence of the destruction of these forests, which has rendered that country a barren desert, supplying a scanty sustenance to the sparse population—its beauty, its fertility, its usefulness gone? So the physical geographers assure us.

In "Sinai and Palestine," by Dean Stanley, an authoritative record, appears the following:

The countless ruins of Palestine, of whatever date they may be, tell us at a glance that we must not judge the resources of the ancient land by its present depressed and desolate state. They show us not only that Syria might support tenfold its present population, and bring forth tenfold its present product, but that it actually did so. And this brings us to the question which eastern travelers so often ask and are asked on their return, "Can these stony hills, these deserted valley, be, indeed, the land of promise, the land flowing with milk and honey?"

The effect and influence of forests on the climate, health, and water conditions of the country is evidenced by the chronicles of the Mosaic, the Roman, and Greek writers, and many of their far-seeing priests prevented the destruction of the forests. The consecration of groves to religious uses and to various mythological rites connected with them is an evidence of the reverence the ancients had for forests. Homer calls the mountain woodlands the "habitations of the gods, in which the mortals never felled the trees, but where they fell from age when their time had come," and in his tree and woodland nymphs originating in springs, he suggests the intimate relation of forests and springs.

Aristotle, in his "National-Economy," points out that an assured supply of accessible wood material is one of the "necessary conditions of the existence of a city."

Mr. KNAPPEN. Almost all of the countries of antiquity suffered from the destruction of their forests. So it was with Mesopotamia, now one of the most sterile countries in the East and once famed for its fertility. Greece tells a similar story. Sicily, one of the granaries of the Roman Empire, is now entirely deforested and crop failures are common. In modern times parts of Bohemia, Hungary, and Austria, parts of Denmark, parts of France have suffered sorely from the loss of their forests. China has done nothing to preserve its forests, while Japan has preserved 59 per cent of its total area for forests, with results in the two countries that are strikingly dissimilar. The Chief of the Forest Service of the United States says that estimates of the duration of our forests are inevitably misleading.

The lowest estimate reached by the Forest Service of the timber now standing in the United States is 1,400 billion feet, board measure; the highest, 2,000 billion. The present annual consumption is approximately 100,000,000,000 feet, while the annual growth is but a third of the consumption, or from 30,000,000,000 to 40,000,000,000 feet. If we accept the larger estimate of the standing

Digitized by Google

timber, 2,000 billion feet, and the larger estimate of the annual growth, 40,000,000,000 feet, and apply the present rate of consumption, the result shows a probable duration of our supplies of timber of not more than thirty-three years.

The figures cited are, however, sufficiently reliable to make it certain that the United States has already crossed the verge of a timber famine so severe that its blighting effects will be felt in every household in the land. The rise in the price of lumber which marks the opening of the present century is the beginning of a vastly greater and more rapid rise which is to come. We must necessarily begin to suffer from the scarcity of timber long before our supplies are completely exhausted. It is well to remember that there is no foreign source from which we can draw cheap and abundant supplies of timber to meet a demand per capita so large as to be without parallel in the world, and that the suffering which will result from the progressive failure of our timber was but faintly foreshadowed by the recent temporary scarcity of coal.

Mr. Pinchot thus admirably sums up what the destruction of the forests means:

What will happen when the forests fail? In the first place, the business of lumbering will disappear. It is now the fourth greatest industry in the United States. All forms of building industries will suffer with it, and the occupants of houses, offices, and stores must pay the added cost. Mining will become vastly more expensive; and with the rise in the cost of mining there must follow a corresponding rise in the price of coal, iron, and other minerals. The railways, which have as yet failed entirely to develop a satisfactory substitute for the wooden tie (and must, in the opinion of their best engineers, continue to fail), will be profoundly affected and the cost of transportation will suffer a corresponding increase. Water power for lighting, manufacturing, and transportation, and the movement of freight and passengers by inland waterways, will be affected still more directly than the steam railways. The cultivation of the soil, with or without irrigation, will be hampered by the increased cost of agricultural tools, fencing, and the wood needed for other purposes about a farm. Irrigated agriculture will suffer most of all, for the destruction of the forests means the loss of the waters as surely as night follows day. With the rise in the cost of producing food, the cost of food itself will rise. Commerce in general will necessarily be affected by the difficulties of the primary industries upon which it depends. In a word, when the forests fail, the daily life of the average citizen will inevitably feel the pinch on every side. And the forests have already begun to fail, as the direct result of the suicidal policy of forest destruction which the people of the United States have allowed themselves to pursue.

President Roosevelt, in a speech delivered last spring, summed up the part that the forest plays in the life of a nation very well in the following passages:

The great industries of agriculture, transportation, mining, grazing, and, of course, lumbering, are each one of them vitally and immediately dependent upon wood, water, or grass from the forest. The manufacturing industries, whether or not wood enters directly into their finished product, are scarcely, if at all, less dependent upon the forests than those whose connection with it is obvious and direct. Wood is an indispensable part of the material structure upon which civilization rests; and it is to be remembered always that the immense increase of the use of iron and substitutes for wood in many structures, while it has meant a relative decrease in the amount of wood used, has been accompanied by an absolute increase in the amount of wood used. More wood is used than ever before in our history. * * *

When wood, dead or alive, is demanded in so many ways, and when this demand will undoubtedly increase, it is a fair question, then, whether the vast demands of the future upon our forests are likely to be met. You are mighty poor Americans if your care for the well-being of this country is limited to hoping that that well-being will last out your own generation. No man here or elsewhere is entitled to call himself a decent citizen if he does not try to do his part toward seeing that our national policies are shaped for the advantage of our children and our children's children. Our country, we have faith to believe, is only at the beginning of its growth. Unless the forests of the United States can be made ready to meet the vast demands which this growth will inevitably bring, commercial disaster, that means disaster to the whole country, is inevitable.

Digitized by Google

If the present rate of forest destruction is allowed to continue, with nothing to offset it, a timber famine in the future is inevitable. Fire, wasteful and destructive forms of lumbering, and the legitimate use, taken together, are destroying our forest resources far more rapidly than they are being replaced. It is difficult to imagine what such a timber famine would mean to our resources. And the period of recovery from the injuries which a timber famine would entail would be measured by the slow growth of the trees themselves. Remember that you can prevent such a timber famine occurring by wise action taken in time; but once the famine occurs, there is no possible way of hurrying the growth of the trees necessary to relieve it.

We contend that legislation which will permit us to draw on the forest supplies of other countries is one form of "wise action" demanded by the situation that confronts us. But without looking to the future we already find the effects of the decadence of our forests in the remarkable increase in the price of timber or stumpage. Bulletin No. 77, issued by the Agriculaural Department, gives some interesting and astounding figures as to the increased value of stumpage in recent years. According to these facts, based on more than 1,500 reports, white pine in the last eight years has increased in value from $3.66 per thousand feet to $8.09; yellow pine, from $1.12 to $3.16; Douglas fir, from 77 cents to $1.44; cedar, from $1.32 to $4.63; hemlock, from $2.56 to $4.51; spruce, from $2.26 to $5.49. These are averages. In some cases white-pine stumpage was found to be worth $20 per thousand feet; in Michigan it ranges from $5 to $18 per thousand feet; in Minnesota, from $5 to $12. Timber lands that were almost worthless a few years ago have rapidly attained great value. Mr. John L. Kaul, a southern lumberman, says that already the growing scarcity of long-leaf pine and steadily increasing demand for it have led lumbermen who acquired stumpage at 50 cents per thousand now to quote it in their opinion worth $2.50 to $3.50, and they believe that in twenty years it will have a value of at least $10 per thousand, and he remarks significantly: "This probable rise in the value of stumpage is the obvious reason for the existence of companies which hold large timber tracts but do not operate them." Actually large tracts of southern timber have been sold at $5 per thousand.

The value of this stumpage held by the speculative companies is of course enhanced by the tariff on lumber. The ownership of timber is passing largely into the hands of great corporations or aggregations of individuals and corporations, who perceive that an increase in its value is a mathematical certainty with the supply so reduced as it is already. It is common talk among lumbermen that three interests now control one-fifth of all the standing merchantable timber in the United States. Many of the holders of timber have acquired their property at insignificant figures and have seen them rise in value, if we are to accept the carefully prepared data of the Government, from 100 to 300 per cent in eight years, and with the probability that this rate of increase will continue in the near future. Yet doubtless many owners of such already handsomely remunerative properties will appear before your committee and argue against the repeal of the lumber tariff. Not content with what the limitations of nature and the demands of society are doing for them, they insist on what amounts to a subsidy from the Government—and a subsidy for what? A subsidy, a premium, on the destruction of our remaining forests.

Digitized by Google

A few great corporations or aggregations of corporations and individuals now control an immense proportion of the remaining forests of the United States. One of these, the great Weyerhæuser group, is said to have produced more than fifty millionaires, and if we are to believe Mr. N. W. McCleod, president of the National Lumber Manufacturers' Association, the bulk of these fortunes must have arisen from the ownership of large bodies of timber rather than from manufacture, and he predicts that this condition will continue. We may say, then, that the fifty millionaires of the Weyerhæuser group owe their fortunes rather to the acquirement and holding of stumpage than to the profit arising from the manufacture of lumber.

To illustrate the enormous profits that are thus possible it is worth while to call attention to the fact that the Weyerhæusers some eight years ago purchased from the Northern Pacific Railroad vast tracts of timber lands on the Pacific coast at a price fixed by rumor at about 15 cents per thousand feet, and to-day this same timber is valued by the owners at about $3 per thousand. Here is a profit of 2,000 per cent, and yet these interests will probably think themselves aggrieved if the tariff is removed from forest products.

A well-known western lumberman has, in recent years, acquired 650,000 (estimated) acres of sugar and yellow pine in northern California, estimated to carry 15,000,000,000 feet of timber. Most of this timber can be manufactured within ten years at a profit of $10 per thousand, and some of it can be manufactured at that profit now. The timber and the land on which it stands has been acquired at a cost probably not exceeding $4,000,000 and the property is now, or soon will be, worth $150,000,000. This gentleman is opposed to the repeal of the tariff on forest products, and, identifying his individual interest with those of the forests, he opposes the repeal of the tariff in order to protect the forests.

It is to be feared that many of our lumbermen have confused protection of the forests and excessive profits arising from the "unearned increment" of their forests, which are two vitally different things.

These illustrations are cited in no mean-spirited enmity to lumbermen. Lumbering is one of our chief industries. It gives employment to a host of men and its great captains take high rank in the roll of those admirable leaders of industry whose careers are the pride of the nation. Unlimited abuse has been heaped upon them for doing what, under the conditions prevailing, they could not but do, but we have now come to a time when national welfare offers some considerations that are paramount to those advanced by the lumber industry. If we are to accept the opinions of the authorities, the industry under present conditions will become extinct within a generation, and its decline is certain in the near future. Any course that tends to decrease the pressure on our forests will prolong the existence of the lumber industry.

The advance in the price of lumber in recent years consequent upon the decreasing available supply is a matter of such common knowledge that little emphasis need be laid on it here. Suffice to say the reports of the Department of Commerce and Labor show that from 1899 to 1906, only seven years, yellow-pine lumber increased 77 per cent in price; Douglas fir, 63 per cent; white pine, 54 per cent; cedar,

Digitized by Google

66 per cent; western pine, 44 per cent; maple, 30 per cent; sugar pine, 31 per cent; tamarack, 80 per cent. These figures are based on average values per thousand of all grades of timber. The increase in some qualities of lumber has been vastly greater, and if we go back to 1893 and come down to 1907 we will find that in some cases the increase in the price of lumber has been almost 200 per cent. Reduced to dollars these percentages of increase amount to $7.54 per thousand for yellow pine; $5.53 per thousand for Douglas fir; $5.66 per thousand for white pine; $5.33 per thousand for hemlock; almost $4 for sugar pine; nearly $7 for tamarack; about $4 for cedar; and about $8 for oak.

Just think what these figures mean to those who build houses of wood. The man who built a house of wood in 1907 paid almost half as much again as in 1899 and probably at least twice as much as in 1893.

The purpose of the tariff is to foster industries and increase the industrial well-being of our people by making imported goods pay a customs tax equal to the difference in the cost of their production and that of similar goods made in this country. The tariff was not imposed with a view to encouraging the exhaustion of our natural resources; neither was it intended to protect the enjoyment of natural monopolies. The ownership of timber in this country is now practically a natural monopoly. Timber can be replaced, but the time required is so long that considering the interests of one generation the supply is fixed. There is a certain amount of timber; every year it grows less in extent, and is more and more concentrated in the hands of a comparatively small number of owners. Does Congress wish to protect this monopoly of a great natural resource—mind you, protect the monopoly, which is not protecting the resource, but is rather protecting the speculative profits of the monopolists. We take it Congress is not concerned in protecting this interest. It is concerned primarily with the protection of American labor and secondarily with seeing that conditions are not so altered that the American manufacturer can not profitably compete with the foreigner.

As for wages, American labor has nothing to fear from the effects of free lumber. The only considerable present source of supply for lumber and other forest products that can be or have been grown in the United States is Canada. There was a time when the rate of wages paid in Canada was very much lower than in the United States, but that was before the present era of industrial activity and settlement in Canada, which has brought the standard and cost of living and wages in that country to as high and in some parts a higher plane than prevails in the United States.

We have been at some pains to collect data bearing on the subject of wages paid and the cost of production in the lumber industry in the United States and Canada. There is some oriental labor employed in the western Canadian mills on account of the lack of white labor, but while the rate of wages per man to the oriental is somewhat lower than to the white man for the corresponding work, the superiority and efficiency of the white man makes his labor cheaper in the aggregate. The data attached to our brief show that wages in western Ontario and western Canada are fully as high and in some cases higher than in middle and western United States mills.

Digitized by Google

I took the trouble to write to a number of manufacturers in British Columbia and asked them if they employed oriental labor, and, if so, how it compared in actual cost with white labor. Their answer, without exception, was that they employed oriental labor because it was the only labor to be had owing to the scarcity of white labor; that in some cases they had to pay the oriental almost the pay of a white man, who, as a rule, is very much superior; that they would much prefer white laborers if they could get them at the prevailing price for white men in British Columbia or in Washington.

As for white labor, I have a mass of figures which I will not trouble you with now unless you desire it, but it can be safely stated that white labor is actually paid better wages in British Columbia than in Washington or Oregon, and I am very willing and glad to produce the figures.

The CHAIRMAN. Have you any statistics as to the comparison of the prices of labor in British Columbia and Oregon?

Mr. KNAPPEN. Yes, sir. I intend to submit them in a brief.

The CHAIRMAN. Very well.

Mr. KNAPPEN. As for the protection of the manufacturer, it is to be noted that he has nothing to fear from cheap labor, since that no longer exists in Canada. In the second place, the cost of construction, equipment, and general operation in Canada is higher in that part of Canada most likely to compete extensively with our lumbermen than in the States, so that on that side of production the manufacturer is protected by existing conditions. The data appended to our brief show that in British Columbia logging, which by law must be carried on with white labor, paid from $3 to $6 per day, costs 10 to 30 per cent more than in the United States; that the cost of mills, general machinery, and equipment, including logging equipment, is more by about 30 per cent. As to profits, the Canadian mill owner is, perhaps, satisfied with smaller profits than the American. On that account there might be somewhat less profit in good times to the American manufacturer if the tariff on lumber were repealed. The only other item entering into the problem is that of the cost of stumpage. As was stated before, we do not think that Congress desires to protect the owner of American stumpage on the book prices he puts on his stumpage as it increases in value from year to year. The manufacturer who owns stumpage may have to reduce the price charged to his stumpage on his books in order to show a book profit, but that is a matter of bookkeeping and of calculation of values. It does not affect the actual cost of manufacture.

As far as the consumer is concerned your committee should be on guard against testimony tending to show that the lumber industry, especially on the Pacific coast, is even now in great straits and therefore actually requires protection. We are just emerging from a period of general business depression lasting more than a year in which naturally the demand for lumber has not been strong. In the case of the Pacific coast lumbermen the case was complicated by an increase in railway rates and a prior car shortage that almost amounted to a breakdown of the transportation systems. Your attention is directed to the fact that the mills in British Columbia have been passing through just as severe a trial as that of their fellows to the south. At one time last year practically all of the mills in the Province were shut down, and those mills, it should be noted, while

Digitized by Google

suffering from prevailing business conditions equally with the American mills, had no protection for rough lumber in their domestic territory. The mills in the mountain regions of British Columbia rely chiefly for their market on the prairie Provinces of Albert and Saskatchewan and those markets are open to their competitors on the south.

In this connection it is worth while to note that there is now a considerable agitation in Canada looking to the imposition of a retaliatory tariff on American lumber. This agitation is opposed by the consuming population of Canada, especially in the western Provinces, and is not likely to succeed, but if the Canadian government thinks it wise to consider the interests of its consuming population as affected by lumber-tariff legislation, may it not be that it is worth while for our Government to make a similar point of view?

The fact should not be overlooked that though our forests are being rapidly depleted and many of our lumbermen oppose tariff legislation that will tend to admit to our consumers the products of foreign forests, they themselves are freely exporting our forest products. They are exporting not only to countries which have no forests and impose no duties on forest products, but they are actually exporting immense quantities of lumber to countries, such as Canada and Mexico, which have great forests upon which our markets rightly should be drawing. According to the official statistics, our lumbermen exported to Canada during the last fiscal year nearly $10,000,000 worth of lumber and other wood, while $3,632,713 worth was exported through ports on the Mexican frontier.

In fact, it is noteworthy that we export to Canada now about half as much value of forest products as we import therefrom. Our total exports of forest products now exceed in value $126,000,000, and a large portion of this is presumably in competition, and successful competition, in foreign markets with the Canadian product. The United States is in fact the leading exporting lumber nation of the world.

In this connection I would call attention to the competition of our west coast mills in Washington and Oregon with those of British Columbia in the markets of the world. This is shown in detail in appended figures, but I will here merely call attention to the fact that in the export trade, shipping in free competition to the same markets, the mills of Washington and Oregon increased their exports from 131,000,000 feet in 1895 to 363,000,000 feet in 1907, while those of British Columbia increased their exports in the same period from 41,000,000 to 67,000,000 feet, the increase in the former being nearly 200 per cent and in the latter about 55 per cent. If our mills can compete successfully with those of British Columbia in the foreign trade, what have they to fear from them in the domestic market? Certainly not disastrous competition.

It is worth noting here that while the values of lumber per thousand of the domestic product increased 58 per cent from 1899 to 1907, the corresponding increase of imported lumber was 76 per cent, which tends to show that external conditions have not tended to cheapen lumber while United States conditions were tending to higher prices, and suggest possibilities of successful competition on the part of our manufacturers.

Digitized by Google

Mr. FORDNEY. May I ask you a question now, or do you prefer to finish?

Mr. KNAPPEN. I have only a little more to say and would prefer to finish.

Mr. FORDNEY. Then finish first.

Mr. KNAPPEN. It is British Columbia competition that most disturbs our lumbermen. We have considered the cost of manufacture in that connection. As to the supply of timber, the Pacific Lumber Trade Journal estimates the stumpage of British Columbia at 150,000,000,000 feet as compared with 225,000,000,000 for Oregon; 196,000,000,000 for Washington; 180,000,000,000 for California; and 100,000,000,000 for Idaho and Montana. Thus, according to the official organ of the Pacific coast lumbermen, the amount of commercial timber in British Columbia is only a small percentage of that in our Northwestern and Coast States.

Indeed, so freely and, from the standpoint of the Canadian manufacturers, so illegitimately did our manufacturers exploit the Canadian market that the Canadian government thought it wise to adopt what is known as the "antidumping law." This law was aimed at the practice of exporting lumber and other products from the United States to Canada and selling them there at a lower price than it was sold for at home. In other words, our lumber manufacturers for years deliberately sold their surplus lumber product in Canada at reduced prices while maintaining exorbitant prices at home.

One probable effect of the removal of the tariff would be cheaper lumber to the consumer, either absolutely or relatively, compared with what he would otherwise be compelled to pay in the future. While there is no reason for believing that Canadian lumber can be laid down in the United States at such prices as to disastrously affect the profits of the American manufacturer, the fact that it can be offered somewhat cheaper on account of the cheaper stumpage and that it increases the source of supply and thus widens the buyer's competitive market will undoubtedly benefit the consumer. With Vancouver, British Columbia mountain points, Saskatchewan, and Ontario mills added to the sources of lumber supply, the buyer will undoubtedly have a better opportunity to get a favorable price to himself than he has now with fewer markets in which to buy. There will, therefore, be a distinct advantage to the consumer. With this competition the prices of lumber will not tend to advance so rapidly as the years go by; consequently the pressure upon our American forests will be somewhat relieved and their destruction will not proceed so rapidly as at present.

As to the fiscal side of the question, the revenues the Government receives from the duties on lumber are not in the aggregate very large, being in 1907, for example, $1,853,158.30, though on wood and manufactures thereof it amounted to $4,385,038.59.

To sum up the effects of the repeal of the tariff on forest products as we see it, it would not be at all adverse to the interests of labor, would not disturb the prosperity of the manufacturer, would benefit the consumer, and check the inroads on our American forests.

Not being an expert in this matter, I have invited a number of lumbermen to appear before your committee and give testimony on the subject of comparative wages, cost of production, prices of lumber, prices of stumpage, and other points bearing on this question,

Digitized by Google

all tending to show that as lumbermen they have nothing to fear from the removal of the tariff on lumber.

Mr. FORDNEY. Whom do you represent?

Mr. KNAPPEN. I represent myself, I represent the National Forest Conservation League, and I believe I represent the sentiment of a great many people.

Mr. FORDNEY. What is the National Forest Conservation League that you represent?

Mr. KNAPPEN. It consists very largely of myself.

Mr. FORDNEY. That is what I thought. [Laughter.]

Mr. KNAPPEN. I started in and organized the league a month ago, because I saw that this subject was coming up and I thought there would be the same criticism that has already appeared, that the consumers would not be represented.

Mr. FORDNEY. You tried to induce me to join the league?

Mr. KNAPPEN. I wrote to every Congressman.

Mr. FORDNEY. You say that the coast conditions would not be affected by removing the tariff, and you say that some of the manufacturers are now making $10 a thousand profit?

Mr. KNAPPEN. Yes, sir.

Mr. FORDNEY. Where is there a concern on the coast making $10 a thousand profit?

Mr. KNAPPEN. I can not name any concern on the coast now.

Mr. FORDNEY. I do not think anybody else can. Do you know anybody who can?

Mr. KNAPPEN. I did not say that there were concerns on the coast.

Mr. FORDNEY. Did you not state that they were making $10 profit now?

Mr. KNAPPEN. I did say that in California I believed there was certain timber that could at the present time be sold at a profit of $10.

Mr. FORDNEY. You are making a speech before a committee which is to act upon this matter, and what you believe and what you know are two different things.

Mr. KNAPPEN. That is quite right and for that reason I cited practical lumbermen to back me up in some of these things.

Mr. FORDNEY. Did you not state that American lumber was selling cheaper in Canada than here?

Mr. KNAPPEN. Yes, sir.

Mr. FORDNEY. Can you name a firm who is doing that or a single shipment?

Mr. KNAPPEN. I will call a witness who will do that.

Mr. FORDNEY. All right. You say that the removal of the duty will conserve the forests of the United States?

Mr. KNAPPEN. I think it will lessen the drain.

Mr. FORDNEY. What kind of lumber comes in competition with American lumber, high or low grade?

Mr. KNAPPEN. Both.

Mr. FORDNEY. Is it not true that the bulk of the lumber which comes in competition with the American lumber from Canada is low-grade lumber?

Mr. KNAPPEN. I believe it is.

Mr. FORDNEY. Is it not true that high-grade lumber has a market anywhere in the world, either from Canada or the United States, a better market than the low grade?

Digitized by Google

Mr. KNAPPEN. I believe that is so.

Mr. FORDNEY. What percentage of the product of the log is low grade?

Mr. KNAPPEN. Twenty per cent.

Mr. FORDNEY. Is it not 40 per cent?

Mr. KNAPPEN. I do not think so.

Mr. FORDNEY. Have you ever manufactured lumber?

Mr. KNAPPEN. I have not.

Mr. FORDNEY. Then I would take my own judgment in preference to yours.

Mr. KNAPPEN. I wish you would ask that question of some of the gentlemen who will appear in support of my contention.

Mr. FORDNEY. Is it not true that Canada is seeking a market in the United States for low-grade lumber?

Mr. KNAPPEN. Certainly; as well as other lumber.

Mr. FORDNEY. If low-grade foreign lumber came into our markets and reduced the price, do you not know that it would not have a tendency to conserve the forests, but that the American lumberman would also be obliged to leave a little higher-grade lumber in the woods than he does now?

Mr. KNAPPEN. That would depend on how much came in. I do not believe that the low-grade lumber coming in would have any effect on the situation.

Mr. FORDNEY. It did from 1893 to 1896.

Mr. KNAPPEN. I think that it is hard to draw inferences from the statistics of that period, because of the confusion arising from the business depression that then prevailed.

Mr. FORDNEY. It was certainly confusing to the manufacturer. I was in the business then.

Mr. KNAPPEN. I think it is hard to draw inferences from statistics.

Mr. FORDNEY. If 40 per cent of the Canadian product is low grade and Canada can find a good market for her better grades—and she is looking to the United States for a dumping ground for those low grades—if those low grades are brought into competition with the lumber in the United States it would not have a tendency to compel the lumbermen of the United States to leave in the woods their low grades.

Mr. KNAPPEN. That is your opinion as a lumberman.

Mr. FORDNEY. I have been in the lumber business ever since I was a boy and I know what I am talking about.

Mr. KNAPPEN. Not being a lumberman, I can not undertake to dispute your statement on that subject. I would like to have you discuss that question with the practical men.

Mr. FORDNEY. I will discuss that question with any man on earth and flay him in a minute. [Laughter.] Do you know what price the lumbermen are getting for their lumber at the mill where they are manufacturing it in the South; Mississippi, for instance?

Mr. KNAPPEN. No, sir.

Mr. FORDNEY. Do you know whether they are making a profit or whether they are selling the lumber at a loss?

Mr. KNAPPEN. I suppose they are selling it at a profit. I can not state from knowledge of actual mill figures.

Digitized by Google

Mr. FORDNEY. I am in the manufacturing business in the South, in the State of Mississippi, and I know that lumber is selling at the mill, the product of the log, all grades, for less than $13 a thousand. How much do you think the manufacturer makes out of that? Do you know what it costs to manufacture in the South?

Mr. KNAPPEN. No; I do not.

Mr. FORDNEY. Then you are not competent to judge whether the Southerner is making any money or not.

The CHAIRMAN. I do not think you should follow that line of examination, Mr. Fordney.

Mr. FORDNEY. The witness has made a positive statement here, Mr. Chairman, that reflects upon the lumber business. He is in favor of removing the duty, and I want to know where he gets his information.

The CHAIRMAN. But you stated that the witness was not competent. It is all right to show that by your questions, but I do not think your opinion should go into the hearing.

Mr. KNAPPEN. As a rule, I quoted my authority.

Mr. FORDNEY. You stated that there were three concerns in the United States which control one-third of the timber in the United States.

Mr. KNAPPEN. That is an estimate; yes, sir.

Mr. FORDNEY. What firms are they?

Mr. KNAPPEN. I had in mind the Weyerhaeuser group, the T. B. Walker group, and the C. A. Smith group.

Mr. FORDNEY. Their holdings are all on the Pacific coast, practically, are they not?

Mr. KNAPPEN. No; I think they have large holdings elsewhere.

Mr. FORDNEY. Do you know how many acres of land or how many mills those three firms own?

Mr. KNAPPEN. I made a rough calculation from data gathered from other lumbermen, and that made up a total of about one-third of fourteen hundred billion feet, which is the minimum estimate of timber in the United States.

[Mr. Knappen stated later that he would like permission to change his original statement from one-third to one-fifth.]

Mr. FORDNEY. Did you take it from any Government report?

Mr. KNAPPEN. There is none available.

Mr. FORDNEY. I saw a statement made by a gentleman who is supposed to represent the Government which stated that Weyerhaeuser owned 32,000,000 acres in the State of Washington. Do you know anything about the correctness of that statement?

Mr. KNAPPEN. I do not. I should say it was incorrect. I do not think it is that much.

Mr. FORDNEY. Do you think there is that much timber in the whole State?

Mr. KNAPPEN. The area of Washington is about 77,000 square miles, is it not?

Mr. FORDNEY. That I do not know.

Mr. KNAPPEN. That would only figure up somewhere between forty and fifty million acres in the whole State. I do not think 32,000,000 acres of that is good forest land.

Digitized by Google

Mr. FORDNEY. No. You stated that you had learned that the consumption of timber in forest products was about 150,000,000,000 feet annually; where did you get that estimate?

Mr. KNAPPEN. From the official bulletins of the Department of Agriculture, the Forestry Service.

Mr. FORDNEY. It is my information that there are less than 50,000,000,000 feet.

Mr. KNAPPEN. Are you speaking now of the entire wood products?

Mr. FORDNEY. All kinds of forest products.

Mr. KNAPPEN. You know the official statistics show over 40,000,000,000 feet for 1907 of lumber alone. It would seem as if the other wood products would amount to more than 100,000,000,000 feet.

Mr. FORDNEY. I think that is wrong. You stated that the condition on the Pacific coast—in Oregon and Washington, as I take it—was affected by the rise in freight rates?

Mr. KNAPPEN. Yes, sir.

Mr. FORDNEY. Is it not true that there has been no rise in freight rates in the last two years?

Mr. KNAPPEN. No; I do not think that is true.

Mr. FORDNEY. The railroad companies threatened to raise the rates, but they did not do it.

Mr. KNAPPEN. They issued the order and then there was a long period of litigation.

Mr. FORDNEY. What is the rate from the Pacific coast to the Mississippi Valley now?

Mr. KNAPPEN. I believe it was 45 cents. That has been changed in some way by a railroad technicality which I do not exactly understand. They have changed the limit of distances on that rate, or perhaps a similar rate which has been substituted for it. That exact matter can be easily cleared up by other witnesses here.

Mr. FORDNEY. You quoted Mr. Long as a manufacturer and as one being in favor of the removal of the duty on lumber?

Mr. KNAPPEN. Yes, sir.

Mr. FORDNEY. What Mr. Long do you refer to?

Mr. KNAPPEN. I think it is Mr. Long, of Kansas City.

Mr. FORDNEY. He is a Democrat and free trader?

Mr. KNAPPEN. I do not know whether he is a Democrat or not, but he is not a free trader on lumber.

Mr. FORDNEY. He is a free trader on lumber?

Mr. KNAPPEN. No. In the paper from which I quoted he distinctly argues against the repeal of the lumber duties.

Mr. CLARK. Mr. Long is a very large dealer in lumber?

Mr. KNAPPEN. I believe he is. I am not very well informed as to that.

Mr. UNDERWOOD. About as good as the average Republican? [Laughter.]

Mr. KNAPPEN. I guess so.

Mr. FORDNEY. Is it not true that the lumberman in the United States has the greatest difficulty in finding a market at a reasonable price for his low-grade lumber?

Mr. KNAPPEN. I understand that is the fact.

Mr. FORDNEY. He has an open market for his high grades and gets a fair price for them?

Mr. KNAPPEN. Yes, sir.

Digitized by Google

Mr. FORDNEY. With free trade with Canada and Mexico, his greatest difficulty would be still further increased by more competition in the low grades and not any in high grades?

Mr. KNAPPEN. I think the competition would also be increased in high-grade lumber.

Mr. FORDNEY. I know from experience that the western coast lumberman right now leaves 25 per cent of the product of the forest in the woods because the grade is so low that there is no profit in it to market it, and if you bring the Canadian cheap-grade lumber into competition that he will be compelled to leave a greater portion in the woods.

Mr. KNAPPEN. I understand that lumbering in British Columbia is carried on under very much the same conditions as in Washington, and what you say of the Washington lumberman leaving 25 per cent in the woods would also apply to the British Columbia lumberman. My understanding is so far as the low grades are concerned, that there is no great fear of the importation of low grades of British Columbia lumber.

Mr. FORDNEY. You have stated the difference regarding the increase of foreign shipments between the United States and Canada, and that it was greater in proportion from the United States than from Canada. Is that not due to the fact that Canada can not find a market for her low grades of lumber and that therefore her industry has not thrived as the industry has in the United States?

Mr. KNAPPEN. The figures I quoted referred only to British Columbia, and therefore they eliminate the low-grade item very largely.

Mr. FORDNEY. It applies to British Columbia?

Mr. KNAPPEN. Please repeat your question.

Mr. FORDNEY. You stated that the increase of shipments, both from Canada and the United States, was so much—you have given the amount—and stated that the increase from the United States was greater than that from British Columbia, as we will call it?

Mr. KNAPPEN. Yes.

Mr. FORDNEY. Is not that due to the fact that British Columbia has no protective tariff now as to low grades, and for that reason her production has not increased, as compared with the increase of the United States?

Mr. KNAPPEN. I do not think so. British Columbia at present does not produce a very large amount of lumber altogether. The cut in British Columbia last year was 475,000,000 feet, and in normal times there is a rattling good market in the rapidly populating prairie provinces which, I should say, is keeping ahead of the production in British Columbia.

Mr. FORDNEY. Don't you think that by removing the duty on the lower grade she would enjoy a better market in the United States than she does now?

Mr. KNAPPEN. As I said before, the conditions of production being similar in Washington and British Columbia, as you pointed out, I do not think it enters into the calculation, as they waste 25 per cent in the woods.

Mr. FORDNEY. Do you think they would leave it in the woods?

Mr. KNAPPEN. I think they would, just as the Washington lumbermen do.

Mr. FORDNEY. That is all.

Digitized by Google

Mr. BOUTELL. You stated, Mr. Knappen, with some degree of confidence on your part that the repeal of this duty would benefit to some degree the consumer?

Mr. KNAPPEN. Yes.

Mr. BOUTELL. Whom do you hold to be the consumer?

Mr. KNAPPEN. The buyer of lumber.

Mr. BOUTELL. I have coined for my own convenience the term "ultimate consumer," the man who finally uses the lumber. Have you any idea that the repeal of the duty would benefit the ultimate consumer?

Mr. KNAPPEN. I assume, allowing somebody to be benefited, that the ultimate consumer, as you state, would ultimately get his share.

Mr. BOUTELL. Take the history of a white pine tree in the Canadian forest. Through what hands does that go to reach a box manufacturer, say, in Michigan?

Mr. KNAPPEN. Of course I can not answer that question from actual knowledge of the trade. I can just give you the inference that any fairly well-informed man might have or might give. I suppose the tree would be manufactured at some lumber mill in Canada, and that the lumber would be bought by an importer or wholesaler on this side of the line, and by him in turn be sold to the retailer.

Mr. BOUTELL. So that we would have, first, the owner of the tree, who saws it into boards; second, an American importer; and third, to follow out the illustration which I have adopted, an American box manufacturer, and say he is a maker of starch boxes, who sells them to the starch maker, and the starch maker sells the package to the jobber, and the jobber sells it to the retailer, and you and I are the ultimate consumers, together with the rest of the American people. Now there are six hands through whom the product of that tree passes. Now, of course, it can not be claimed that this $2 is automatically renounced by the owner of the tree. He will try to get his benefit, will he not?

Mr. KNAPPEN. Certainly.

Mr. BOUTELL. He will try to get his benefit unless the Canadian is different from other people, and so on down the line; so that when you speak of the benefit to the consumer you speak of the American purchaser of the starch?

Mr. KNAPPEN. No; I not only refer to him, but I really had in mind the ultimate consumer as well.

Mr. BOUTELL. That is, the purchaser of the box of starch?

Mr. KNAPPEN. Yes. In that case he would be the man.

Mr. BOUTELL. You think the difference would work out all along the line?

Mr. KNAPPEN. Yes, sir. But in the illustration you cite it would not amount to much in the packing box.

Mr. BOUTELL. In our attempt to help the consumer in the modification or repeal of these duties we should look at the benefit, if we can, which it would bring about to the ultimate consumer—the man who uses it. Now, it is not safe to assume that by the repeal of the duty there is an automatic renunciation of all that duty by the originator of the article—the owner of the tree. He is not going to give it up. He is going to get all the benefit he can, and the wholesaler is going to get all he can.

Mr. KNAPPEN. I think so.

Digitized by Google

Mr. BOUTELL. So that, in considering the benefit to the consumer, we have got to consider that it may go through from two to six hands, all of whom may get their share of the profit.

Mr. KNAPPEN. I think so. I think you cited an extreme case in the case of the packing box that goes through six hands, but the principle would apply.

Mr. BOUTELL. Yes; the principle would apply, so that by looking at the question of repeal of duty from the point of view of the ultimate consumer, we have got to take into consideration the fact that there are other hands through which it passes, although it may not be six.

Mr. KNAPPEN. Yes.

Mr. BOUTELL. Now one other point, in reference to the question of conservation, and I may say I was very much interested in that feature of your paper as well as in the other discussion. I never have noticed in any part of Great Britain or on the Continent, to my recollection, a single frame house or a single house with wooden shingles, and with this rise in the price of lumber and this general tendency which now exists for preserving our forests and natural resources, have you thought at all of our possibility of supplanting in a measure a frame for the exterior of a house with the brick, stone, or concrete and the use of tiles, and what the comparative cost would be?

Mr. KNAPPEN. I can not say that I have gone into that question of comparative cost, but I have considered those factors as entering into the problem of lumber consumption, and I know that even in so old a civilization as they have in France, where, as you say, they have learned to economize in lumber and have substituted other things for it—even there, with all their economy, they are increasing their annual use of lumber 10 per cent per capita. It is the same in this as in many other things. A new article is used for something, but immediately there are other new uses for the old article, and I do not believe that the many substitutes for lumber that have been introduced and are being introduced will absolutely affect the demand, though they will relatively, but I believe that the demand will actually increase from year to year, as it has done heretofore.

Mr. BOUTELL. It certainly will unless we stop it. Would not the substitution in this country, to as large an extent as it has been substituted in Europe, of stone and brick and terra cotta and tiling for the exterior of houses make an enormous difference in the demand for high-class lumber?

Mr. KNAPPEN. It would, relatively, but I do not think it would cause us to decrease the use of lumber. To make my meaning plain, after that was done I do not believe that ten years from now we would be using less lumber than we are using to-day, though we might be using less lumber per capita.

Mr. BOUTELL. You have looked into the question in Canada and Mexico. Have you looked into the competition that may come from the West Indies, where, I understand, there is an inexhaustible supply of hard wood?

Mr. KNAPPEN. I am frank to say that I have not looked into that subject.

Mr. UNDERWOOD. I would like to ask you a few questions. The gentleman who examined you from the other side of the table asked you questions from the standpoint of protection. I want to ask you

Digitized by Google

questions from my standpoint. I am not a protectionist and do not believe in a protective tariff, but I do believe that a good deal of the revenue of the Government ought to be raised by taxes levied on goods imported into this country. Now, from that standpoint I want to ask you this: Is there importation of logs into this country free of duty now?

Mr. KNAPPEN. Yes, sir.

Mr. UNDERWOOD. Comparatively few logs, less than a million dollars' worth of logs, were imported in 1907?

Mr. KNAPPEN. Yes, sir.

Mr. UNDERWOOD. Do you know why there was not a larger amount of Canadian logs imported into this country?

Mr. KNAPPEN. One reason that would contribute to that is the fact that some of the Canadian provinces have either prohibited the export of logs taken from the government lands or else have imposed a discriminating tax upon those logs.

Mr. UNDERWOOD. That is just what I was coming to. As a matter of fact, the reason why the importation of Canadian logs into this country has been limited is because when this Government removed the duty from logs either the provinces or the Canadian government placed an export tax on logs, did they not?

Mr. KNAPPEN. I think it would be more accurate to say that when this country clapped a duty of $2 a thousand on lumber the provinces retaliated by putting not an export tariff, but an export tax, on logs cut from crown lands.

Mr. UNDERWOOD. There is no difference, there is no distinction, between a tariff and a tax of that kind. It was a tax or a tariff, whichever you choose to call it, that prevented the importation of logs into this country?

Mr. KNAPPEN. I think so.

Mr. UNDERWOOD. And the revenue that was originally derived from the tax on logs, instead of going into the Treasury of the United States, goes into the treasury of the provinces or the Canadian government. Now I want to ask this question: Suppose we were to remove the present tax on sawed lumber in order to conserve our resources and preserve our forests. Would not the Canadian government do with sawed lumber just exactly what they did with logs—put an export tax or export duty on sawed lumber, and the tax would go into the Canadian treasury instead of going into our Treasury?

Mr. KNAPPEN. I do not think so.

Mr. UNDERWOOD. And the cost to the consumer here would be the same?

Mr. KNAPPEN. I do not think so.

Mr. UNDERWOOD. I would like you to give your reasons on that point.

Mr. KNAPPEN. The reason I make that statement is that in Canada the lumber-manufacturing industry, in a country where manufactures are not very extensively developed as yet, is a very powerful industry and has a great deal to do, as the lumber industry of this country has to do, with the shaping of legislation. I think that that influence would be great enough to prevent the Canadian government from imposing an export tariff, even if it were considered by the Canadian government a desirable thing to do.

Digitized by Google

Mr. UNDERWOOD. It was not great enough to prevent their putting that export tax on logs.

Mr. KNAPPEN. Notice that I said "lumber-manufacturing industry." The logger and the owner of logs and the lumber manufacturer in that case might have conflicting interests.

Mr. UNDERWOOD. You think, then, that if we removed the tax on lumber absolutely the Canadian government would leave it free trade and not put on an export tax?

Mr. KNAPPEN. I do believe that.

Mr. UNDERWOOD. Have you anything except your own opinion to warrant that statement? Have you investigated it?

Mr. KNAPPEN. I have talked with Canadian lumbermen, and I know they will vigorously oppose such a movement, and I know that they do not think it will be done.

Mr. UNDERWOOD. That is all I wanted to ask. Have you any witnesses that you expect to introduce here who have considered that particular question?

Mr. KNAPPEN. I think so.

Mr. UNDERWOOD. What are their names?

Mr. KNAPPEN. I think that Mr. Scanlon and Mr. Lynch and Mr. Rogers are competent to testify on that subject.

Mr. UNDERWOOD. That is all I have to ask.

Mr. FORDNEY. Mr. Knappen, you stated that the price of southern lumber had increased 77 per cent in a given number of years.

Mr. KNAPPEN. I do not recall the exact figure, but I think that was it.

Mr. FORDNEY. If that is true, the price on southern lumber was then around $17. It is pretty low now when it is only $13?

Mr. KNAPPEN. The figures are not my figures.

Mr. FORDNEY. That was in 1880, I think.

Mr. KNAPPEN. Those figures were taken from the pamphlets issued by the Forest Service of the Government. They are not collected from private sources.

Mr. FORDNEY. You stated also that from 1880 down to date the production of lumber in the State of Washington had increased thirteen-fold?

Mr. KNAPPEN. Yes.

Mr. FORDNEY. Is it not true that in 1880 Michigan and Wisconsin, especially those two States, were supplying a very large amount of lumber east of the Missouri River?

Mr. KNAPPEN. Yes; that is true.

Mr. FORDNEY. And that the industry in the State of Washington was really in its infancy and just starting up?

Mr. KNAPPEN. That is true.

Mr. HILL. Mr. Knappen, will you ask your people who are here if any of them have in their pockets the present price lists at which agents are supplying lumber throughout the country? If so, I would like to have a copy.

Mr. KNAPPEN. I will ask them about that.

Mr. HILL. I think your statement will be more than sustained by such prices. Now, the first question asked was, "Whom do you represent?" You recognize the fact that you do not have to represent anybody but yourself as an American citizen in coming before this committee?

Digitized by Google

Mr. KNAPPEN. Yes; and I thank you for that suggestion. I noticed a statement in the paper the other day by Mr. Payne, the chairman, to the effect that American citizens are welcome here, and I think that is a sufficient justification for me to be here, even if I represent nobody but myself.

Mr. FORDNEY. I made no reflection on you whatever. I asked you, when you said you represented a certain association, if it were not yourself, and you admitted you were the whole association.

Mr. KNAPPEN. I was perhaps overfrank in that statement. [Laughter.] I mean I think I did myself an injustice. I would like to give you the names of our official personnel, if that is at all pertinent.

Mr. FORDNEY. Not at all; not at all, sir. I only wanted to know what interest you represented. Everybody is welcome, so far as I am concerned, and I am pleased to see you here and to get better acquainted with you.

Mr. KNAPPEN. Thank you.

Mr. CLARK. Mr. Knappen, in this question that Mr. Boutell asked you, which you answered, about the ultimate consumer, it is not probable that the Canadian miller, if that is a proper term, and the wholesaler and the retailer could manage to absorb all of this $2, is it?

Mr. KNAPPEN. Did you say, Isn't it probable they would?

Mr. CLARK. I said, Is it not probable that they would not?

Mr. KNAPPEN. I think they would not be able to manage it.

Mr. CLARK. Would not the competition have something to do with holding the prices down until the American and Canadian lumbermen would have time enough to form a new combination? [Laughter.]

Mr. KNAPPEN. You can not tell what a lumberman will do. [Laughter.]

Mr. CLARK. But they would, in the nature of things, have to take a little time to get up a trust that would cover both the United States and Canada, would they not? [Laughter.] In that brief breathing spell the consumer would get a little advantage in this shaving off the tariff.

Mr. KNAPPEN. I think that much is certain.

Mr. CLARK. And if they did not succeed in getting up this international combine the consumer would get his pro rata share of this $2 difference?

Mr. BOUTELL. Is there an international lumber trust now?

Mr. KNAPPEN. I do not believe there is.

Mr. BOUTELL. So that there is not at the present time any combination between American and Canadian lumbermen?

Mr. KNAPPEN. I do not think there is.

Mr. CLARK. But it is a rather peculiar coincidence that they all sell at the same price, is it not? [Laughter.]

Mr. BOUTELL. Have you any idea that on the repeal of this duty there would be this calamity that Mr. Clark suggests, of a combination between the American and the Canadian lumbermen?

Mr. KNAPPEN. That is a possibility, of course.

Mr. BOUTELL. Then, by repealing the tariff, we would get a greater trust than before—an international instead of a national one?

Mr. KNAPPEN. Mr. Clark has suggested the defense.

Digitized by Google

Mr. FORDNEY. Is it not true that in a given market Canadian and American wheat men sell wheat at the same price?

Mr. KNAPPEN. I think so.

Mr. FORDNEY. But that is no sign of a combination, is it, in itself?

Mr. KNAPPEN. I do not think so.

Mr. CLARK. Let me ask this question for the benefit of Brother Fordney: Do not these big handlers of wheat fix the price to the farmer, and the farmer has got to take that or not take anything? Is not that true?

Mr. KNAPPEN. The farmer is offered a fixed price for his wheat. Whether a combination of buyers has fixed the price, or whether the operation of conditions has done it, it is a fact that every farmer out of a million is offered the same price on the same day.

Mr. CLARK. Now, another question: Would not the wonderful sameness of prices in lumber products suggest to you at least that there was "a gentlemen's agreement" in keeping up the prices of lumber?

Mr. KNAPPEN. Yes; it would make that suggestion.

Mr. BOUTELL. There are "gentlemen" in Minneapolis, are there not?

Mr. KNAPPEN. Yes.

Mr. FORDNEY. When the prices are going up, those dreams are very delightful?

Mr. KNAPPEN. Yes, sir.

Mr. FORDNEY. I want to ask you a question, in answer to what the gentleman from Missouri [Mr. Clark] asked you about the elevator man, as you may put it, who fixes the price to the producer. I am not an elevator man or a yard dealer. I am talking from a manufacturer's standpoint. I am in the place that the farmer is in the market in the case he speaks of, and not in the place of the elevator man, and every producer of forest products is exactly in the same position that the farmer is in with respect to the elevator man as compared with the yard dealer.

Mr. GAINES. Mr. Knappen, you said that a great deal of land for a long distance about Minneapolis had no timber on it. What is the character of that land?

Mr. KNAPPEN. Some of it is good agricultural land. Some of it is practically worthless. It varies, of course, according to the soil. Where there is a clay soil, with a covering of humus, we have a good agricultural land that can be used for agriculture after the trees are removed; but it is true that as to a great deal of the soil, where pine grows, not a very profitable use can be made of it in agriculture.

Mr. GAINES. Can you give me an idea of the proportion of the land that is good and that which is useless—or did you say any of it was useless?

Mr. KNAPPEN. I would not say that any of it was absolutely useless—yes; I would say that some of it is absolutely useless. That which is rocky is useless. But even the sandy soil has some value for producing grass crops.

Mr. GAINES. Is not your city of Minneapolis more benefited by the increased agricultural population of this land off which the timber has been taken than it would be benefited by keeping it in timber?

Mr. KNAPPEN. Where the soil is good there is no question about that.

Digitized by Google

Mr. GAINES. I speak from the West Virginia standpoint, and we are rather more interested in getting people there than in keeping a woody country.

Mr. KNAPPEN. Yes. What I said should not be construed as any sort of criticism of the lumbermen for removing that timber. That was the farthest from my thought. I was simply illustrating how the supply was decreased.

Mr. GAINES. Yes; but your conclusion was that the condition of the country when the lumber was removed was worse than it was before?

Mr. KNAPPEN. Yes; I think that is true of a large part of Minnesota and Wisconsin, and it will only be profitably used in a long time to come, when the country is properly reforested.

Mr. GAINES. You have no plan to suggest, have you, by which the timber could be taken off a portion and not off another portion? That is, the conditions which induce the cutting of the timber from an acre of land will induce the cutting of it from the adjacent acre? Do you propose to lodge some power somewhere to permit the Government to determine what acre shall be cut and what shall not? You do not go that far?

Mr. KNAPPEN. No; I do not go that far.

Mr. GAINES. Now, I understand you to say, also, that it was conceded that the cutting off of the timber produced floods and droughts?

Mr. KNAPPEN. Yes.

Mr. GAINES. Is that conceded? It is claimed, I know.

Mr. KNAPPEN. I thought it was conceded—so much so that I skipped the part of my paper dealing with that in order to save time. I did not present those facts at all.

Mr. GAINES. I have heard that the greatest flood in the Ohio River was in the year 1837.

Mr. DALZELL. 1832.

Mr. GAINES. Then there was a large one in 1847, and another one in 1884, larger than we have had since. I do not think that is conceded. I know it is claimed that it caused that.

Mr. DALZELL. I want to say, Mr. Gaines, that a short time ago I had a conversation with Major Sibert, who is one of the most distinguished of our engineers in Panama. Now, he denies that theory absolutely.

Mr. GAINES. My own observation would deny it, but that would not be enough to generalize upon.

Mr. KNAPPEN. Most of the supposed authorities that I consulted on the matter seemed to be agreed, and therefore I used the word "conceded."

Mr. GAINES. Mr. Knappen, if Canada should place upon any lumber products from which we removed the duty an export duty equal to what we would take off, from the amount by which we should reduce the traiff on lumber products, no change in the conditions would result except that the money we now collect as tariff would be transferred into the treasury of the Canadian government. Would not that be true?

Mr. KNAPPEN. I think that is obvious.

Mr. HILL. You understand that the export duty that is put on by Canada is now added supplementary to the duty on lumber now coming into this country, the United States?

Digitized by Google

Mr. KNAPPEN. Yes.

Mr. FORDNEY. The Canadian government does impose an export duty on logs now, does it not?

Mr. KNAPPEN. The Canadian government does not.

Mr. FORDNEY. Well, what power on earth does? Is it not true that there is an embargo, that the crown land department compels now the manufacturing in Canada of timber cut from crown lands?

Mr. KNAPPEN. That does not exactly describe it. Take the timber in Ontario. It is owned, not by the government of Canada but by the government of Ontario, by that province, and that province does impose an embargo on timber cut from land owned by the province. but not from land owned by you or me or anybody else. If you owned lands in Ontario that had timber on them you could freely cut those logs and bring them into this country.

Mr. FORDNEY. How much of lands are there in Canada owned by individuals outside of their crown department? There is not anything more, is there, except Indian lands?

Mr. KNAPPEN. I think there is a certain amount, not a large proportion, of the whole lands that now have standing timber that are owned in fee. Certain amounts of timber land have passed into the hands of settlers. There have been some special concessions that departed from the usual Canadian practice which have resulted in the fee of lands passing to individuals.

Mr. FORDNEY. There is no timber now in Ontario that comes to the United States in logs?

Mr. KNAPPEN. I think there are some logs that come from Ontario now.

Mr. FORDNEY. I do not know of any.

The CHAIRMAN. It is a very small amount.

Mr. KNAPPEN. Pulp wood comes in. It is timber and subject to that embargo.

The CHAIRMAN. The only prohibition is in the province of Ontario, is it not, and that relates to all sorts of logs, pulp wood, and others, and it is an actual prohibition of exports from government land?

Mr. KNAPPEN. I understand it is so as to the province of Ontario. The province of Quebec, instead of imposing an embargo, is, to my recollection, imposing a discriminating tax. That is, if you cut timber from crown or government lands you will be taxed so much if it is consumed in Canada, and taxed a little more if exported.

The CHAIRMAN. That is a sort of stumpage tax, is it not?

Mr. KNAPPEN. Yes, sir.

The CHAIRMAN. Now, one word as to the theory of my friend [Mr. Boutell] as to the ultimate consumer. [Laughter.] If the ultimate consumer buys an orange or a box of matches on that price the reduction of duty would have to be very large in order to affect the price of the orange or the box of matches?

Mr. KNAPPEN. I think there is no doubt about that.

The CHAIRMAN. But on the question of selling boards or sawed timber, where it is sold by the thousand and where the duty is $2 a thousand, that presents an altogether different proposition as to whether the ultimate consumer would get any benefit from it, would it not?

Mr. KNAPPEN. I think it does.

Digitized by Google

The CHAIRMAN. If there was competition and a reduction of duty, likely some of it would come to the ultimate consumer?

Mr. KNAPPEN. That is my position.

The CHAIRMAN. Do you know whether this Georgia pine is cut now in the State of Alabama? All southern pine, I believe, is called Georgia pine. Do you know whether any of this is cut in Alabama?

Mr. KNAPPEN. I believe there is.

The CHAIRMAN. There is a supply down there?

Mr. KNAPPEN. I think there is.

The CHAIRMAN. And hence a duty which reported a revenue of $2 a thousand would incidentally help the lumbermen, perhaps, in Alabama?

Mr. KNAPPEN. I see no reason to conclude that the Alabama lumberman would not share in the same benefit that the other lumbermen would claim.

The CHAIRMAN. It would be levied simply for the purpose of a tax, but incidentally it might help? [Laughter.]

Mr. KNAPPEN. Yes.

The CHAIRMAN. That is all I have to ask.

Mr. UNDERWOOD. I merely wanted to ask you this question: When you come down to the question of the ultimate cost to the consumer, the seller of any article is going to get all out of it he can. It is a question of competition, in the end, as to what the ultimate consumer will pay for any article he buys?

Mr. KNAPPEN. I think that is right.

Mr. UNDERWOOD. And the more you broaden competition the more chance the ultimate consumer has of buying a cheap product?

Mr. KNAPPEN. Yes. I should lay more stress on that broadening of the market than on the mere $2.

Mr. BOUTELL. Inasmuch as the chairman has called up the name of my friend, the Ultimate Consumer—I am glad he is taking interest in it—I have here a memorandum with reference to the repeal of the lumber duty, which, it seems to me, would be most beneficent—that is, the repeal of the hardwood tax on the manufacture of furniture. There is a case, is it not, where it would go through fewer hands, and the ultimate consumer of furniture would be apt to get a good deal of benefit from a reduction?

Mr. KNAPPEN. You think wood imported into this country and manufactured into furniture would go through fewer hands?

Mr. BOUTELL. Yes; I should say it would go through fewer hands than would the vast amount of lumber that is used for packing manufactured products like cotton goods and starch and canned goods. In other words, the benefit to the consumer from the repeal of the lumber duty would be more largely felt and could be most largely felt through competition in the price of furniture?

Mr. GAINES. Is it your position, Mr. Boutell, that with free logs for furniture there would be probably a considerable ultimate reduction of price to the consumer?

Mr. BOUTELL. I was not referring to free furniture, but to free lumber that goes into the manufacture of the furniture. The factories of furniture in North Carolina are now second in the country, and the factory at Grand Rapids is first.

Mr. KNAPPEN. Assuming that it would go through fewer hands in the case of furniture, I should say you are right.

Digitized by Google

Mr. FORDNEY. Now, Mr. Knappen, with reference to the package, the chairman asked you whether or not the man who purchased the article in a package would be benefited by the reduction of duty, and he showed that it would be so small that he would receive no benefit; but he showed, on the other hand, that the man who purchased the lumber would be benefited. It is my understanding and knowledge, gained since I have been engaged in the business, that 60 per cent of the lumber imported into this country is consumed in the manufacture of packages, and in that case only 40 per cent of the people would be benefited by a reduction of the duty on wood used for furniture, whereas 60 per cent would get no benefit. Is that right?

Mr. KNAPPEN. I do not think I conceded that the man who purchases lumber in the form of a box would get no benefit. Of course we can not tell whether he even pays anything for that box, or what percentage of the cost of the whole article goes to the box.

Mr. FORDNEY. When he bought a yard of calico or cotton goods he would not get very much benefit out of the reduction in lumber in the box that brought it to market?

Mr. KNAPPEN. No, sir.

Mr. CLARK. If a man builds a five, or six, or eight room house he would get some considerable advantage, would he not?

Mr. KNAPPEN. Yes, sir.

Mr. CLARK. Now, if laths were selling for $2.25 a thousand in 1901, and were selling for $6 a thousand in 1907, and other lumber prices have advanced that much—I am talking about the retail trade—then there is a good deal of extraordinary profit that might be divided up so that the consumer would get part of it?

Mr. KNAPPEN. Yes, sir.

Mr. HILL. Is there any province in Canada where they make crown lands a matter of bidding at auction——

Mr. CLARK. Now, is it not a fact, that they are——

The CHAIRMAN. Gentlemen, I would suggest the advisability on the part of members of the committee of refraining from engaging in debates with each other while so many witnesses are here waiting to be heard. What we want most is information from the witnesses, and then we can engage in discussions afterwards.

Mr. CLARK. If these hearings amount to anything, when we strike a schedule like this lumber schedule we ought to have it out, even if it takes until Christmas.

The CHAIRMAN. We ought to have the questions asked, but if you want to be here until after the 4th of December and still be asking questions, go ahead. We will ask the gentleman to come again. I was not objecting to asking questions, but simply to this joint debate between members of the committee. We will have plenty of time for that in the committee.

Mr. FORDNEY. Mr. Chairman, I have no desire to consume time. I know the anxiety of other gentlemen here who are anxious to be heard, and I am ready to stay here until next year to get the facts. That gentleman stated that laths were selling at $2.25 a thousand in 1901, and at $6 in 1907, and if true it is a fact of importance to be brought out.

Mr. CLARK. I stated that because I bought them at that time.

Digitized by Google

Mr. HILL. Is there any province in Canada, Mr. Knappen, where the crown lands are not sold at auction—the right to cut timber on them?

Mr. KNAPPEN. No, sir.

Mr. HILL. And where American citizens are debarred from purchasing those rights?

Mr. KNAPPEN. No, sir.

Mr. HILL. Any American citizen can go in and bid on a parity with the Canadian?

Mr. KNAPPEN. Yes, sir.

Mr. GRIGGS. Does Canadian lumber compete with the lumber of the South? Is there any real competition?

Mr. KNAPPEN. I do not think there is much real direct competition. Of course the argument of the interested lumbermen would be that with the introduction of Canadian lumber the white pine lumbermen might have to sell at a lower price now, and therefore cover a larger area, and in that way get farther South and in competition with the yellow pine.

Mr. GRIGGS. Could the Canadian lumbermen compete with the Georgia and Alabama and Mississippi lumbermen with the tariff taken off?

Mr. KNAPPEN. I think practically none at all.

Mr. BOUTELL. How would it be with the Mexican?

Mr. KNAPPEN. As to Mexican, Mr. Boutell, my understanding as to Mexico is that while there are some considerable forest areas there, it is not yet commercially available, and therefore can be practically dropped out of this discussion.

Mr. CLARK. Is it not a fact that they are shipping yellow pine into Canada now?

Mr. KNAPPEN. Yes, sir.

Mr. CLARK. That is, shipping it from our Southern States into Canada?

Mr. KNAPPEN. Yes, sir.

Mr. CALDERHEAD. You stated, Mr. Knappen, that the United States is the leading export nation in lumber. What proportion of our export goes to Canada?

Mr. KNAPPEN. My recollection is that our exports to Canada in 1907 were between nine and ten million dollars. If you put it at $9,000,000, that would be about 15 per cent.

Mr. CALDERHEAD. From what part of the United States did it go?

Mr. KNAPPEN. A very considerable part of it went from the Southern States, but exactly what percentage I can not say. It seems that in the manufacture of agricultural implements this southern wood is much preferred.

Mr. CALDERHEAD. Hard pine, you mean?

Mr. KNAPPEN. Yes; and one of the large manufacturers of agricultural implements in Canada told me that practically all the timber they used in their industry was brought from the Southern States.

Mr. UNDERWOOD. You mean when they wanted good lumber they sent down there? [Laughter.]

Mr. KNAPPEN. That would be satisfactory to southern pride to put that interpretation on it.

Mr. RANDELL. What portion of the United States would be first denuded of timber, according to the present trend?

Digitized by Google

Mr. KNAPPEN. I should say that the States that will first be denuded of timber are Michigan, Wisconsin, and Minnesota. They are in the greatest danger now. That does not take in account the States that have been practically denuded in the past, but existing lumber regions, I should say.

The CHAIRMAN. Are there any further questions? If not, that is all, Mr. Knappen.

Mr. KNAPPEN. We want to file a brief a little later.

The CHAIRMAN. You may do so at any time until the 4th of December; now, if you are ready.

STATEMENT MADE BY ARTHUR ROGERS, OF MINNEAPOLIS, MINN., FAVORING REMOVAL OF DUTY FROM LUMBER.

FRIDAY, *November 20, 1908.*

Mr. ROGERS. Mr. Chairman and gentlemen, I am a retail dealer as well as a manufacturer in Canada. My retail interests are this side of the line. I also have some interests on the other side of the line. As a retail dealer I am in favor of the removal of the tariff on lumber on the theory of the broadening of the markets.

Mr. UNDERWOOD. Do you live in the United States?

Mr. ROGERS. Yes, sir. I live in Minneapolis. I am in favor of the removal of the duty on lumber on the theory that the broadening of the markets would have a tendency to reduce the price of lumber to the consumer, and in reducing the price of lumber to the consumer it is not on the theory entirely that the consumer would be the only person benefited, but by reducing the price to him it would enlarge our business to that extent.

A question was asked of the gentleman before me with reference to selling lumber from the United States in Canada. The company I represent has lumber yards in Canada. During this year we have purchased a large quantity of lumber in the United States and shipped it into Canada, because we could buy that lumber in the United States for a less price per thousand feet than we could afford to deliver it from our own mill in British Columbia, because the cost of production in British Columbia is higher than in the United States. We believe that if the American lumberman can ship his lumber to us as consumers, we as producers should have the same privilege of competing with the American on the same ground as he can compete with us. We have timber in the United States and we have timber in Canada. I do not believe that our timber in the United States would be affected in price by the removal of the duty, but it would enlarge our market in Canada without question. It would have this effect: As time goes on and lumber advances rapidly in price the competition of Canadian mills would enable the distributer to maintain a more uniform and stable price, thereby benefiting the consumer. I do not believe that the price of lumber in the United States would be very materially reduced, on the average. I believe, however, that it would have a tendency to prevent rapid advances, because of the fact that with the competitive markets of the whole North American continent north of the Mexican line practically opened up it would give a buyer a larger market and better

Digitized by Google

opportunity for competitive buying, and thus maintain a lower average price.

The ultimate consumer, if I may anticipate a question that will probably be asked, in our case is the farmer. We sell to the farmer Our price of lumber is based absolutely on the cost of the lumber to us. If we can buy fir lumber from the coast country and pine lumber from the Spokane district, at a certain price per thousand, the average of our retail price is based on the average of our cost of lumber from the manufacturer of those districts. We believe that if the duty was taken from lumber there would be a lower average price—not necessarily a lower price continuously, but a lower average price—of such a nature that we could have our price based on a lower average, and consequently sell at a more uniform basis year after year; therefore at a naturally lower price.

I am inclined to think I will be asked, and in all probability will be asked, Is the price of lumber too high? From the retailers' standpoint, the lower we can sell our product the better we like it; not because we do not want to make a profit; we do; but we want the man who sells to us to make a profit. If we can run a lumber yard at a $100,000 investment, because the lumber costs $2 a thousand less, we would rather do that. We can make more money. The percentage of profit is the true basis that we have in mind all the time.

The question of cost of manufacture, I presume, other gentlemen will enlarge upon, and unless you wish to ask me some questions that is all I have to say.

The CHAIRMAN. I understand when the manufacturer advances his price, you follow it, but not rapidly?

Mr. ROGERS. We can not do it; we do not follow him rapidly.

The CHAIRMAN. And when he lowers his price, you follow him in that?

Mr. ROGERS. Yes, sir; but not rapidly.

The CHAIRMAN. If one of your rivals happens to get out of high-priced lumber and buys a new invoice in the meantime and puts the lumber down, you follow more rapidly?

Mr. ROGERS. We have had that experience in the past twelve months, and unfortunately we have had to do it. We had a large amount of high-priced lumber.

The CHAIRMAN. The competition of lumber dealers in Minneapolis forces you sometimes to put down the price before you are ready for it, does it not?

Mr. ROGERS. Yes; but we are not dealers in Minneapolis. Our field is with the farmers west of Minneapolis.

The CHAIRMAN. But the tendency is to follow?

Mr. ROGERS. Yes; but it does not follow rapidly.

Mr. BOUTELL. You think the competition among the Canadian cutters would so bring down the initial price of lumber here that this $2 a thousand could be passed on to the farmer?

Mr. ROGERS. I do not know that the $2 could, but I should say that the minute the Canadian forces the price down, if we absorb one dollar of that, the other dollar would ultimately get to the consumer.

Mr. BOUTELL. So that, in your opinion, as a man dealing with the ultimate consumer, the repeal of the lumber duty would benefit the consumers as a class, in two ways: First, by an actual reduction to

Digitized by Google

the individual purchaser, and, second, by greater uniformity in prices?

Mr. ROGERS. I think the last would be a greater advantage than the reduction would be—the uniformity of price.

Mr. BOUTELL. You state with greater confidence that there would be uniformity of price than that there would be a lowering of price.

Mr. ROGERS. That would be the tendency.

Mr. CLARK. What has produced the enormous advance of lumber in the last eight or ten years—that is, to the man that uses it?

Mr. ROGERS. I presume there are several things, but I presume the principal point has been the desire on the part of everyone to make some money. We would like to make some money.

Mr. CLARK. It has been the desire to make more money than they ought to be allowed to make.

Mr. ROGERS. That is a question, I suppose.

Mr. FORDNEY. Has the price of stumpage and labor advanced during that time?

Mr. ROGERS. Stumpage has advanced quite a little, but it has not advanced anywhere near as much as the price of lumber has advanced.

Mr. FORDNEY. You are a retailer, are you not?

Mr. ROGERS. Yes.

Mr. FORDNEY. Where are your yards located?

Mr. ROGERS. In North Dakota, Minnesota, and Nebraska.

Mr. FORDNEY. You are a Canadian manufacturer, are you not?

Mr. ROGERS. Yes, sir.

Mr. FORDNEY. Do you supply your yards from Canada?

Mr. ROGERS. Our American yards?

Mr. FORDNEY. Do you supply your American retail yards from the mills in British territory?

Mr. ROGERS. No, sir; but——

Mr. FORDNEY. You would do it if you had free trade on lumber?

Mr. ROGERS. We would if the price of our mill product was lower, or as low, as the prices of those who enter into competition with us were; otherwise, not. We would get the most out of it that we could. If, in competition with other mills in Canada, our retail yards could buy cheaper from our competitors than we are willing to sell for, we would buy from the competitors.

Mr. CRUMPACKER. Is there not a strong sentiment among farmers in the entire Northwest for the abolition of the tax on lumber?

Mr. ROGERS. There is; yes, sir.

Mr. FORDNEY. What do you mean by "the entire Northwest?"

Mr. ROGERS. Well, we are doing business in Minnesota and North Dakota, and we know there is such a sentiment there, and it exists to some extent in Nebraska.

Mr. FORDNEY. How about Washington, Oregon, Idaho, and Montana?

Mr. ROGERS. They are producing States, and I do not know that I care to answer the question in regard to them.

Mr. FORDNEY. But that is practically the Northwest, is it not?

Mr. ROGERS. But I did not suppose it was intended to cover the whole map of that country.

Mr. FORDNEY. But he said the "entire Northwest."

Mr. ROGERS. Well, in those prairie States where they are consumers, not producers, this would apply.

Digitized by Google

Mr. CRUMPACKER. I suppose you include Indiana?

Mr. ROGERS. I would be glad to.

Mr. FORDNEY. When you purchased lumber in Canada from the Washington manufacturer did you buy it any cheaper than for the same grade of lumber in other parts of the United States?

Mr. ROGERS. I do not think we did.

Mr. FORDNEY. You are not the witness, then, that Mr. Knappen referred to to show that the American was selling cheaper in Canada?

Mr. ROGERS. If I am, Mr. Knappen did not understand the position. I told Mr. Knappen that I bought lumber in the United States because the American lumberman could afford, I imagine, to sell that lumber cheaper than the Canadian.

Mr. FORDNEY. The lumber business on the Pacific coast in the last twelve months has been in a bad condition, has it not?

Mr. ROGERS. Probably no worse than the lumber business anywhere else, relatively, excepting the Mississippi Valley.

Mr. FORDNEY. I think so.

Mr. ROGERS. Well, possibly you may be better informed than I am.

Mr. FORDNEY. The freight rates are against them on the low grades of lumber, are they not?

Mr. ROGERS. Freight rates have only been advanced in less than sixty days, so that that could not be used over the twelve months.

Mr. FORDNEY. Now, Mr. Rogers, in favoring the reduction of the duty on lumber, are you speaking from the consumers' standpoint in the United States or the manufacturers' standpoint of the Canadian or British Columbia lumber, or both?

Mr. ROGERS. As a matter of fact, the British Columbia dealer, of course, would like to have it; there is no question about that. Every man is selfish, and we are probably just as selfish as you are in Michigan, or anywhere else, so far as lumber is concerned. As middlemen, we would like to see it off in the United States because we can take care of our trade to a better advantage by having a larger market to draw from.

Mr. HILL. You have lumber yards in Canada as well as in the United States?

Mr. ROGERS. Yes, sir.

Mr. HILL. Do you sell the southern pine in Canada?

Mr. ROGERS. None at all.

Mr. HILL. How long have you been in business?

Mr. ROGERS. I have been in the lumber business twenty-seven years.

Mr. HILL. When you began business at retail, what was the price of first-class uppers?

Mr. ROGERS. I don't remember that.

Mr. HILL. What are you selling them at now—for the selects, first quality, white-pine lumber?

Mr. ROGERS. Our best finishing lumber, probably of which very little is sold, is about $60, roughly.

Mr. HILL. You would not call that what is known to the trade as "uppers?"

Mr. ROGERS. The average trade that we handle does not use much high-grade lumber.

Mr. HILL. You can not get it?

Mr. ROGERS. Oh, we can get it.

Mr. HILL. Where from?

Digitized by Google

Mr. ROGERS. We can buy of the Cliquot Lumber Company. They have a representative here.

Mr. HILL. An American product?

Mr. ROGERS. Do you mean in Canada?

Mr. HILL. Yes.

Mr. ROGERS. In Canada we would buy uppers from the mountains in the form of spruce. We do not use pine.

Mr. HILL. What are you retailing first-class uppers for in the American yards?

Mr. ROGERS. About $60.

Mr. HILL. What are you selling laths for at retail?

Mr. ROGERS. I think it is about $5.

Mr. HILL. How low have they sold during the twenty-seven years that you have been in business?

Mr. ROGERS. As low as $2.

Mr. FORDNEY. In what year?

Mr. ROGERS. I can not state that.

Mr. FORDNEY. From 1893 to 1896, wasn't it?

Mr. ROGERS. I have produced lath for less than 90 cents, and sold them at 90 cents in Minneapolis.

Mr. HILL. You say they are selling at $5.

Mr. ROGERS. Yes.

Mr. HILL. I have sold some myself for less than $2. Do you sell southern pine, North Carolina pine, in your yards?

Mr. ROGERS. No; excepting in Nebraska; we handle a little in Nebraska.

Mr. HILL. What is the price of ordinary roofer, North Carolina roofer, that you are now selling in Nebraska, the next grade above mill cut?

Mr. ROGERS. I do not remember, but if I have the data I will get it and hand it in.

Mr. HILL. I would be glad to have you to do so.

Mr. ROGERS. I am frank to say that I am not very well posted on the detail of prices.

Mr. BOUTELL. I think you are undoubtedly the best witness that we will have to explain the dilemma in which my friend, Mr. Clark, fell as an ultimate consumer in 1908. Did his experience in paying $6 a thousand for laths in 1908, as against $3.25 in 1901, represent the normal trend in the lumber business, or was that an abnormal condition in the retail trade at that particular point?

Mr. ROGERS. It was not due to the retail trade. You had a price the retailer had to pay the producers for the laths.

Mr. BOUTELL. Was that brought about by a combination which had raised the price?

Mr. ROGERS. I do not believe there is a combination amongst the manufacturers anywhere. I believe that is entirely due to the supply and demand for the product.

Mr. BOUTELL. But was purely a normal increase, unaffected by any monopoly regulations?

Mr. ROGERS. I do not believe there is a monopoly in the lumber business; none that I know of.

Mr. UNDERWOOD. You are a manufacturer of Canadian lumber. You are familiar with the stumpage laws of the provinces?

Mr. ROGERS. Yes; the sections where we are located.

Digitized by Google

Mr. UNDERWOOD. For what purpose did the province place a stumpage tax on export logs?

Mr. ROGERS. As I understand it, that is not exactly the case. The Canadian government—that is, the British Columbia government—placed an embargo on the exportation of logs from their own limits, what they call the provincial limits.

Mr. UNDERWOOD. That is what I asked you. Do you call it an embargo or tax?

Mr. ROGERS. There was no tax, it is simply a prohibition.

Mr. UNDERWOOD. An absolute prohibition?

Mr. ROGERS. An absolute prohibition.

Mr. UNDERWOOD. That was for the purpose of conserving their forests at home?

Mr. ROGERS. It is pretty hard to tell what the government does things for; I do not know.

Mr. UNDERWOOD. Well, wasn't it so stated that it was for that purpose?

Mr. ROGERS. Possibly so.

Mr. UNDERWOOD. What I want to ask you is, if they did put an embargo or tax, whichever it is, on their stumpage for the purpose of conserving their forests at home, if we took off the entire tax on lumber, would they not also put a tax or embargo on it, to still conserve their unsawed lumber and forests?

Mr. ROGERS. I do not believe that the Canadian government figures at the present time on the question of conservation very strongly. If they did put an export duty, then I believe it would be up to this Government to reinstate its tariff.

Mr. UNDERWOOD. That is what I am getting at. Then you think it would be unwise for us to absolutely repeal the tax on lumber unless we did it in a qualified way, and left it to the executive department to regulate?

Mr. ROGERS. I think probably that would be the method.

Mr. UNDERWOOD. In other words, it would be necessary to have a maximum and minimum rate?

Mr. ROGERS. I don't know that it would be necessary to do that. I should think it would be perfectly proper for this Government to insist that the lumber from Canada should come in free if we remove the duty.

Mr. UNDERWOOD. In other words, it would be unwise, perhaps, for us to remove a tax that is now coming into the Federal Treasury and allow the Canadian government, or its provinces, to put the same tax on timber to conserve theirs?

Mr. ROGERS. But the tax that comes into the Federal Government is very small from Canadian lumber.

Mr. UNDERWOOD. At what point, as a lumber dealer, do you think the tax should be placed that would produce the greatest revenue to this Government? It is $2 now on sawed lumber.

Mr. ROGERS. It is more than $2.

Mr. UNDERWOOD. On certain kinds of sawed lumber?

Mr. ROGERS. As a matter of fact the other kinds of lumber are the kinds that cut the most figure. The consuming trade does not use much rough lumber. The tax runs up to $3.

Mr. UNDERWOOD. At what point do you think a reduction of the tax on sawed lumber and finished lumber would produce more revenue for the Government than the present tariff?

Digitized by Google

Mr. ROGERS. I believe that if the tariff on lumber was say 50 cents, that we, as a sample, would ship more lumber into the United States than we do at $3. But it is very hard to tell the proportion.

Mr. UNDERWOOD. Would that produce more revenue? That would cut down the amount of the tax to one-sixth.

Mr. ROGERS. That is pretty hard to tell.

Mr. UNDERWOOD. From a revenue standpoint then, you are unable to tell?

Mr. ROGERS. You can not tell that. If the price in the United States was as low as it has been in 1908, the removal of $1.50 duty would not bring in much lumber. If the lumber prices were as high as 1907, the removal of $1, $1.50, or $2 would bring in a great deal of lumber possibly. I imagine the lumber manufacturer selling on this side of the line would use just exactly the same kind of business methods that he always has. If he found it was necessary to reduce the price to meet competition he would reduce it what was necessary, and if it was not necessary he would not do it.

Mr. FORDNEY. That is true if the conditions should be the reverse. If the price of lumber is higher and there is a good demand for it anywhere, then it would find another market, but when the price is exceedingly low, then is when the Canadian lumbermen will dump his low-grade lumber on the American market.

Mr. ROGERS. I do not believe that is the case, and this last year is a sample. There has been practically no Canadian lumber coming into this country, at least not in any such volume as last year.

Mr. FORDNEY. Isn't it true that after having had the good prices that they were hanging on to wait for Taft's election, believing that they would have better prices?

Mr. ROGERS. On the other side of the line, do you mean?

Mr. FORDNEY. Everywhere.

Mr. ROGERS. I wish it was so on the other side.

Mr. FORDNEY. Well, when prices are good on this side they are good on the other side.

Mr. ROGERS. But not in the same proportion.

Mr. FORDNEY. Well, I used to manufacture in Canada, and I found it so.

Mr. ROGERS. Well, I have, too.

Mr. FORDNEY. Isn't it true that quite likely the Canadian government put an embargo upon logs in order to benefit their own manufacturers and labor, by compelling that lumber to be manufactured at home?

Mr. ROGERS. I presume that was the case. At the same time, if the Puget Sound mills can increase their exports to foreign markets in the proportion that has been shown, as against the increase in Canada, does it look as though the Canadian government needs to do very much to protect the labor in that country?

Mr. FORDNEY. But does it not look, on the other hand, in answering your question, that they have no market for their low grades, and do not increase their foreign trade on high grades for that reason?

Mr. ROGERS. I do not think that is the case.

Mr. FORDNEY. What do they do with their low grades?

Mr. ROGERS. The low grades go on the prairies; otherwise, I imagine they do, as I suggested a while ago, leave the tops in the woods.

Digitized by Google

Mr. FORDNEY. Or otherwise it would come to the United States, would it not; a very large amount of it?

Mr. ROGERS. It would providing the American manufacturer did not meet the competitive conditions and put his price where their prices were.

Mr. FORDNEY. I manufactured lumber in Canada when white pine was on the free list, and we dumped the mill cuts into the United States market.

Mr. ROGERS. I understand that the bulk of the low-grade product of the Canadian mills comes to the United States even now.

Mr. GAINES. Did I understand you to say that the cost of production was greater in Canada than in the United States?

Mr. ROGERS. Yes, sir. I might qualify that because I do not know all of Canada. I do know certain sections where we are manufacturing.

Mr. GAINES. Where do you manufacture in Canada?

Mr. ROGERS. In the mountain district, in the country like that north of Spokane.

Mr. GAINES. Do you know about the prices farther east?

Mr. ROGERS. No; I do not, excepting what I have been told by others. If you will permit this sort of a statement I will say that I have in process of compilation some figures from a party manufacturing both sides of the line for some distance in the eastern portions of the country, and that the compilation will be filed with the committee with a brief. That will give the figures in writing, and I can put that in at any time it is wanted.

Mr. GAINES. Your own statement you will file also?

Mr. ROGERS. Yes. We have stumpage both sides of the line, and our stumpage in the United States is very much better than it is in Canada.

Mr. DALZELL. About this embargo; how is the embargo made effective?

Mr. ROGERS. The British Columbia government simply says that you can not take the logs across the line.

Mr. DALZELL. Is that done by executive order?

Mr. ROGERS. I think they call that an order in council—that is, the premier and his cabinet can do it if they wish.

Mr. DALZELL. It is not one of the stipulations of sale?

Mr. ROGERS. No, sir.

Mr. DALZELL. But by executive order or order in council?

Mr. ROGERS. Yes, sir. That is not a Dominion affair, but it is purely provincial. The Dominion of Canada can pass any tariff legislation that it likes to control provincial conditions.

Mr. GRIGGS. What is the average difference in price between lumber now and ten years ago, to the ultimate consumer?

Mr. ROGERS. I think the price is about $10.

Mr. GRIGGS. Ten dollars difference?

Mr. ROGERS. Yes. I can not tell you that positively. I should say in the neighborhood of eight to ten dollars?

Mr. GAINES. On what grades?

Mr. ROGERS. On the average of sales. You can not designate any one grade. A member of the committee might say: "Your No. 4 boards sell at less;" and they undoubtedly do. But you have got

Digitized by Google

to take the entire product of the log. Ten years ago the manufacturing in Minneapolis——

Mr. FORDNEY. Make it twelve years ago.

Mr. ROGERS. I manufactured twelve years ago. We did not save any box lumber at all outside of No. 4 boards, because we could not sell them. The price of No. 4 boards, and their scarcity, advanced so rapidly that we finally began saving what we called three-man boards; and after that those boards advanced so rapidly and became so good, as considered from the standpoint of the manufacturer, that we took to manufacturing box shooks, sorting out anything 3 inches wide and 12 inches long. Now, then, if the low-grade boards of Canada had cut such a terrible figure, you would, as a manufacturer, have gone to the trouble to save the 3 to 12 inch boards.

Mr. FORDNEY. What did you do with the lower grades?

Mr. ROGERS. Sold them, as far as we could.

Mr. FORDNEY. Twelve years ago, when the price was low, you say that you did not save them?

Mr. ROGERS. Burned them.

Mr. FORDNEY. Under a low price would not that be the tendency again?

Mr. ROGERS. I do not believe it would, because the price of boards has advanced more than the duty?

Mr. FORDNEY. Advanced more than the duty?

Mr. ROGERS. I would like to make an explanation there. I do not believe that any first-class lumberman to-day would go into a bunch of timber and leave the tops because it possessed, in a large part, low-grade boards.

Mr. FORDNEY. We do it now on the Pacific coast.

Mr. ROGERS. Yes; the Pacific coast up to two years ago took 2 by 4 by 8 and burned them.

Mr. FORDNEY. Why?

Mr. ROGERS. I never could understand it.

Mr. FORDNEY. I can tell you why; because it would not be profitable to do anything else with them.

Mr. ROGERS. I am not so sure about that.

Mr. FORDNEY. I am in the business out there and I know.

Mr. ROGERS. So am I.

Mr. GRIGGS. Lumber is higher now than it was two years ago?

Mr. ROGERS. It is lower.

Mr. GRIGGS. How do they use those boards now?

Mr. ROGERS. Those boards never had any trouble to find a market, excepting from 1892 to 1897, when we could not sell anything.

Mr. BOUTELL. If the difference between lumber now and ten years ago is $10 a thousand, and it is cheaper now than it was two years ago, then at its maximum it must have been much more?

Mr. ROGERS. Two years ago was not its maximum. Last year was the maximum.

Mr. BOUTELL. What was the difference in price of lumber last year from what it was ten or twelve years ago?

Mr. FORDNEY. Pardon me, but will you qualify that question by asking whether it was for the manufacturers' or the consumers' purposes?

Mr. BOUTELL. It is immaterial to me as long as the witness specifies which he is giving. I understand you to say, in answer to a question

Digitized by Google

by Mr. Griggs, that the difference between the price of board lumber at the present time and the price ten years ago was $10 a thousand?

Mr. ROGERS. I am not taking the maximum price. That is a maximum price for the last two years.

Mr. GRIGGS. I asked you as to the average.

Mr. ROGERS. That is what I understood. I took the maximum and minimum for ten years.

Mr. BOUTELL. The only point I am trying to get at is this: Even with the ultimate consumer getting the full benefit of a $2 reduction, we would still be $8 ahead on account of something besides the tariff over what we were ten or twelve years ago?

Mr. ROGERS. I guess I am rather dense, but I do not quite follow you.

Mr. BOUTELL. I give this simply for the purpose of illustration: If lumber to-day is selling for $10 a thousand more than it was ten years ago, and we repeal the duty so that the ultimate consumer gets the entire benefit of the reduction of $2, he would still then be up to $8 a thousand more than he was ten years ago.

Mr. ROGERS. Unquestionably. That is simple subtraction—two from ten is eight.

Mr. BOUTELL. But the point is this, that some other factors besides the tariff had to do with the raising of the price of lumber, and that the ultimate consumer is not going to get back to where he was twelve years ago by a reduction.

Mr. ROGERS. He never will. The price of lumber will never go down to where it was ten years ago.

Mr. FORDNEY. If the price of lumber on the Pacific coast is $10 higher than it was twelve years ago, then he must be getting $20 higher than it was then?

Mr. ROGERS. The price of lumber on the coast I do not believe is $10 higher. But the coast is not the only factor. There are other localities that you must consider. I think in Minneapolis it is more than $10 higher.

Mr. FORDNEY. How about the South?

Mr. ROGERS. I am not familiar with the South, and I do not know anything about it.

Mr. FORDNEY. As compared with the whole manufacturing product of lumber in the United States to-day, is Minneapolis only a small portion?

Mr. ROGERS. It does not cut much figure any more.

Mr. FORDNEY. Then that is not a fair statement as to the average?

Mr. ROGERS. Not any more than taking the Pacific coast as an average of the whole thing.

Mr. FORDNEY. A very large quantity is cut on the Pacific coast.

Mr. ROGERS. Not as much as in some other districts.

Mr. FORDNEY. Where, for instance?

Mr. ROGERS. In the South.

Mr. FORDNEY. What is the difference in proportion, Mr. Rogers?

Mr. ROGERS. In the production?

Mr. FORDNEY. Yes; between the Pacific coast and the South.

Mr. ROGERS. I do not know.

Mr. FORDNEY. But you know that it is greater in the South?

Mr. ROGERS. Yes; I believe it is. Don't you?

Mr. FORDNEY. I do not think it is.

Digitized by Google

Mr. ROGERS. I am not positive. I would not be positive about that, because I do not know. But I am simply judging by running through my mind the manufacturers that I know in the South.

Mr. CLARK. Isn't it true that white-pine lumber is so high that it has driven people to using sycamore, cottonwood, and other soft woods for inside finishings, that ten or fifteen years ago were considered absolutely worthless?

Mr. ROGERS. There is no question about that in my mind.

Mr. CLARK. You state it as your opinion that lumber will never be as cheap again as it was ten years ago. That grows largely out of the fact that the supply is diminishing, does it not?

Mr. ROGERS. That is the reason.

Mr. CLARK. The price of lumber is driving people to use concrete and other substances in place of white pine in the building of dwelling houses?

Mr. ROGERS. That is our experience; get less lumber business each year.

Mr. CLARK. Is there a lumber trust, or is there not?

Mr. ROGERS. I do not believe there is.

Mr. CLARK. How does it happen that these men who manufacture keep the prices up to a certain equilibrium all the time? Is that accidental, or is there a scientific reason for it?

Mr. ROGERS. The manufacturer is here and he will answer that question himself.

Mr. CLARK. If you do not want to answer, all right.

Mr. ROGERS. We are buyers.

Mr. POU. Under which condition do you think the destruction of forests is greater, under high prices or low prices of lumber?

Mr. ROGERS. We are stumpage owners this side of that line. If the price was high we would like to produce that into lumber and get the profit. If our policy would be that of other people, I should say the high price would tend to reduce the amount of available supply. That would reduce the carrying charge on a product when the price gets above a certain point. Then you get your profit if you sell, and you would rather manufacture than carry that investment if you figure that the profits on that investment would be much greater than the profits of manufacture.

Mr. POU. Which condition do you think would stimulate the free owner, high prices or very low prices?

Mr. ROGERS. When lumber gets down, or when any other commodity gets down below the cost or near the cost of production, the natural tendency is to stop production. I should suppose that would apply to manufacturing lumber as well as anything else.

F. B. LYNCH, ST. PAUL, MINN., THINKS THE REMOVAL OF DUTY FROM LUMBER WOULD PROVE GREAT BENEFIT.

FRIDAY, *November 20, 1908.*

Mr. LYNCH. Mr. Chairman and gentlemen of the committee, I am here as an American interested in the upbuilding of the Northwest, where I own large tracts of real estate, as an American interested in the manufacture of lumber in Canada, and as an Ameri-

Digitized by Google

can who also owns timber in the United States. I believe that the greatest good for the greatest number of people will be helped by the removal of the tariff on lumber coming into this country. Whatever tends to reduce the cost of making homes for our citizens tends to make them better citizens.

I do not think the removal of the duty will reduce the price of lumber which now prevails here. The Canadian manufacturer with his higher cost of production can not sell lumber in the American market to-day any cheaper than the American manufacturer sells it. But if the price of the product should again go up to the point at which it was two years ago and where it was for several years prior to that, a Canadian manufacturer could come into this market and sell his production in competition with the American manufacturer, and greatly to the benefit of the American consumer. It is possible that at the prices which then prevailed he could undersell the American manufacturer.

I am not well enough posted on lumber conditions on this side of the line to give much information concerning the cost of lumber here. I can tell you a good deal of the cost of production, the cost of stumpage, the cost of erecting sawmills and of operating them, and the price of labor on the other side of the line. I am now and have been for several years past one of the principal owners of two of the largest mills in western Canada, namely, the Red Deer Lumber Company, at Barrows, Saskatchewan, in the spruce district, and of the Elk Lumber Company, at Fernie, British Columbia, in what is known as the mountain district in British Columbia. Each of these mills has a capacity of about 35,000,000 feet per annum. Each of these mills, with their planing mills, yards, logging equipment, and other necessary improvements, cost us about $400,000. This is exclusive of the cost of our standing timber.

I have been told by men who own similar mills on this side that their plants and equipment here cost about $250,000. The difference in cost is accounted for by the tariff charged by the Canadian government on the American machinery with which our mills are equipped, the high freight rates which we have had to pay on this machinery, the high cost of labor which prevails there, and the lack of efficiency of the Canadian mechanic as compared with the American mechanic.

Our logs at the Red Deer mill, where we are sawing spruce exclusively, cost us at the mill $7 per thousand. Our stumpage at this mill, together with the royalties paid to the Canadian government, costs us about $3 per thousand. At the Elk mill, where we saw cedar, fir, and spruce, our logs cost us $6 per thousand. Our stumpage at this mill, together with the royalties paid to the government, costs us $1.50 per thousand. Our cost of manufacturing, including the cost of surfacing, piling, loading, selling, insurance, interest, and taxes at each point is about the same, viz, $5 per thousand.

We employ no oriental labor in any capacity or place. Most of our employees are Americans. All of our highly skilled employees, including our manager and superintendents, learned their trades or business on this side of the line. They went to Canada for us because we were willing to pay them higher wages than they were receiving here. We were willing to pay these wages because these

Digitized by Google

men were more efficient workmen than we could get on the other side and would do more and better work than the Canadian workmen. They were cheaper for us than Canadian workmen at lower wages, but were no more efficient than the thousands of American workmen employed on this side in American mills, and who, I believe, receive lower wages than we are paying these men.

Mr. LYNCH. I have a statement here showing the average wages paid at the mills of the Elk River Company, at Fernie, British Columbia, and of the Red Deer Lumber Company, at Barrows, Saskatchewan. Perhaps you would not care to have me read this table, and if not, I will pass that and continue my statement.

The CHAIRMAN. Do you mean wages by the day, hour, or how?

Mr. LYNCH. By the day.

The CHAIRMAN. State the number of hours.

Mr. LYNCH. Based upon ten hours a day.

The CHAIRMAN. And how many days in a week?

Mr. LYNCH. Six days in a week.

The CHAIRMAN. No half holidays?

Mr. LYNCH. No half holidays.

The CHAIRMAN. You have not a statement of the wages paid in the American mills, have you?

Mr. LYNCH. I have not; no, sir. I will file this statement.

Mr. GAINES. How long is the statement?

Mr. LYNCH. It is somewhat less than a page.

The CHAIRMAN. I think perhaps you had better read it.

Mr. LYNCH (reads):

Average wages paid at the mills of the Elk Lumber Company, at Fernie, British Columbia, and of the Red Deer Lumber Company, at Barrows, Saskatchewan, for the years 1903 to 1907, inclusive.

	Per day.
Band sawyers	$7.50
Gang sawyers	4.50
Tail sawyers	2.50 to 3.00
Edger men	3.00 to 3.75
Trimmer men	3.25
Setters	3.75
Carriage riders	3.00
Helpers on trimmer	3.00
Transfer men and laborers	2.00 to 2.60
Band filer	8.50
Round saw and gang filer	7.00
Millwrights	4.00
Engineer	4.00
Fireman	3.00
Blacksmith	3.75
Machinists	3.75
Boom men	3.25
Laborers	2.50
Watchmen	2.50
Grader	2.75
Sorters and transfer men	2.25
Lumber pilers	2.25 to 2.75
Laborers in yard and loading cars	2.25
Oilers in mill and planing mill	2.75
Planing mill:	
Machine feeders	2.50 to 3.50
Helpers	2.25
Teamsters	2.50
Carpenters	4.00

Digitized by Google

Planing mill—Continued.	Per day.
Helpers	$2.50
Manager	[a] 4,000.00
Mill foreman	[a] 1,500.00
Yard foreman	[a] 1,500.00
Bookkeeper	[a] 1,200.00
Timekeepers and clerks	[b] 60.00 to 85.00

During the same period the same mills have paid wages to their men in the woods, they doing all of their own work and doing no logging through contractors.

	Per day.
Loaders	$2.80
Swampers	1.85
Sawyers	2.25
Teamsters	2.35
Railroad men	2.50
Stable boss	2.60
Hook men	2.25
Blacksmith	3.40
Filer	3.00
Camp tender	2.25
Railroad laborers	2.05
Cook	3.40
Cookees	2.25
River men	3.00
Clerks	3.00
Foreman	4.35
Teams without drivers	3.00

The superintendent receives $1,600 to $2,000 per annum.

All men working in the bush are paid so much per month and their board. The figures given above for their day labor is the amount which they would receive per day, figuring twenty-six working days to the month and adding the cost of their board, averaged in nine different camps, to the daily wage paid to them.

The CHAIRMAN. Have you any extra copies of that statement?

Mr. LYNCH. I have none with me, but I can furnish you some.

The CHAIRMAN. If you will kindly let me have the statement, I will have some copies made for use of the members of the committee.

Mr. FORDNEY. How do those wages compare with the wages paid now?

Mr. LYNCH. Those are the same wages that we are paying now. Those are the figures up to July 1, 1908.

I do not think that the wages which we pay are much, if any, higher than those paid by our Canadian competitors. Our scale may be higher in some instances, but it is made up by the increased efficiency of the workmen we employ. I think these wages are higher than those paid by most American plants and are only equaled by a very few of the best inland empire mills.

In the matter of stumpage and its cost on the Canadian side, I would say that it varies greatly, as it does on this side, according to its nearness to market, the facility with which it can be logged, the character of the timber, and the danger of fire. All of the timber in Canada, however, carries a minimum royalty to the government of 50 cents per thousand, board measure (this is equal to about 70 cents per thousand, log scale), and from that up to $6 per thousand in royalty in some of the eastern provinces. In British Columbia the prevailing royalties are 50 and 60 cents per thousand. To these

[a] Per year. [b] Per month.

Digitized by Google

royalties, to find the cost of stumpage, must be added the bonus which is paid to the Dominion government when the license to cut the timber was issued by the government, and which amounts, according to the competition which prevailed when the timber was sold by the government, to from 15 cents to $2 per thousand. This bonus is paid to the government in cash when the timber is sold, while the royalty is paid to the government when the timber is sawed. We also pay a royalty to the government on all of our by-products, including lath and shingles.

The item of taxes varies in the different Provinces and on different classes of timber, but runs from $5 per square mile, which is the lowest annual rental on timber in the prairie Provinces, to $140 per square mile on the heavy timber in British Columbia, west of the Cascade Mountains. This tax or rental is paid annually and is an addition to the local or business taxes which may be paid. Most of our holdings are east of the Cascades, in British Columbia, in the mountain district, where we pay a tax of $115 per square mile per annum. On the amount of timber which we hold this tax amounts to about 6 cents per thousand per annum. This is treble the tax paid by us on our holdings on this side of the line. The fee of the land does not go with this. That is always retained by the Crown-American owners.

I do not know of any expense item which goes to make up the cost of lumber which is not as heavy or heavier upon the Canadian manufacturer than it is upon the American manufacturer. They are certainly closer to the consumer in the United States than the Canadian mill would be. This would imply lower freight rates and better service for the American mills.

It would appear to me, in view of the foregoing facts, that the American manufacturer will have little fear from the removal of the tariff, unless he raises his prices much above the present level. If his cost of manufacture advances, the cost will also advance to his competitor. If the price of the log on the stump is increased much beyond the present level, the owner of the stumpage will have to compete with the Canadian timber owner, unless he should also advance the price of his stumpage. This, I do not believe he will do. The open competition which would be brought about by the removal of the tariff would not be an evil to the general public.

Mr. FORDNEY. You are speaking from a Canadian manufacturer's standpoint, are you not?

Mr. LYNCH. Yes, sir.

Mr. FORDNEY. Your interest in the production of lumber is limited to Canada?

Mr. LYNCH. Almost entirely.

Mr. FORDNEY. Now, I do not know that I ought to ask you this question, but I think I will do so: What is your politics, Republican or Democrat?

Mr. LYNCH. I am a Democrat.

Mr. CRUMPACKER. In relation to these royalties paid or required in Canada, that is upon land owned by the Provinces or Dominion?

Mr. LYNCH. Yes, sir.

Mr. CRUMPACKER. If a private individual owns timber land, or a company, they can ship the product into the United States, or out of the Dominion, without any royalty or special tax, can they not?

Digitized by Google

Mr. LYNCH. Yes, sir. I would like to qualify that statement, however, by saying that there is less than 1 per cent of timber lands of Canada that is not owned by the Crown.

Mr. CRUMPACKER. You can rent it from the Crown cheaper than you can buy it?

Mr. LYNCH. You can not buy it; you can not buy Crown timber.

Mr. CRUMPACKER. Those royalties, so far as your experience goes, are very low prices for the timber, are they not?

Mr. LYNCH. I thought they were when I went over there, but I am not so sure of it now.

Mr. LONGWORTH. How much did you say it was?

Mr. LYNCH. In British Columbia from 50 to 60 cents a thousand. In some of the eastern Provinces I understand it goes up as high as $6 per thousand.

Mr. HILL. Sold at auction?

Mr. LYNCH. Sold at auction, sealed bids.

Mr. FORDNEY. No timber on the American side sells at 50 to 60 cents at public auction?

Mr. LYNCH. Mr. Fordney, we were offered the timber that the Northern Pacific Railroad sold to the Weyerhæuser people—I do not say we were offered it, but we put in a bid for it and the Weyerhæuser people got it—and the price of that timber, on the Northern Pacific estimates, was less than 20 cents per thousand.

Mr. FORDNEY. When was that, Mr. Lynch?

Mr. LYNCH. Seven years ago.

Mr. FORDNEY. In what States?

Mr. LYNCH. Washington, Oregon, and Idaho.

Mr. FORDNEY. The Weyerhæuser timber companies purchased in Washington in 1898 and 1899?

Mr. LYNCH. I beg pardon, it was 1901. I was a bidder on the same timber.

Mr. FORDNEY. The big purchase from the Northern Pacific?

Mr. LYNCH. It was in 1900 or 1901. In 1899 we bid on all the land which the Northern Pacific owned in Minnesota. The succeeding spring they sold to the Weyerhæuser people.

Mr. FORDNEY. In December 1899 I applied to the Northern Pacific for the prices on land in Washington, and they informed me that the big sale had been made to the Weyerhæuser people.

Mr. LYNCH. Possibly. It was not publicly announced, Mr. Fordney, until later.

Mr. UNDERWOOD. Mr. Lynch, you are in the lumber business in Minnesota?

Mr. LYNCH. No; in the land business in Minnesota.

Mr. UNDERWOOD. I want to know—and I am glad to talk to a Democrat who is in the lumber business, because unfortunately we do not have many Democrats come before us, but usually the fellow who wants to get something [laughter]—but our party stands for a revenue tariff, and I want to ask you——

The CHAIRMAN. Well, Mr. Underwood, are you asking the witness that? I would like to know what they do stand for.

Mr. UNDERWOOD. I have just announced it to you. The only difference between us is that on the stump the Republican party say that we stand for free trade, and when we come into committee, and they want to give somebody a special privilege, they want to stand

Digitized by Google

for free trade, and do not want us to stand for a revenue tariff. I want to ask you what effect this proposition you have made would have on the revenue features?

Mr. LYNCH. If the tariff was removed entirely?

Mr. UNDERWOOD. Yes.

Mr. LYNCH. I think it would reduce the revenue to the United States to the amount which is now paid on lumber products.

Mr. UNDERWOOD. On account of the position that the Canadian government has taken on the stumpage question, do you think it is probable that they would put a tax, or embargo, on lumber, so that the revenue would go into their treasury, and we would merely lose the lumber, without getting the advantage in price?

Mr. LYNCH. I do not think it is probable that they would do that, but it is possible that they might, of course. If that should be done, the Executive of the United States should be given power to place a retaliatory duty on Canadian lumber.

Mr. UNDERWOOD. You do not think it would be wise to pass a bill that just provided for free lumber without any control by the Executive under present conditions?

Mr. LYNCH. Do you mean by that reciprocity—a reciprocal arrangement?

Mr. UNDERWOOD. Either reciprocity or a maximum or minimum tariff.

Mr. LYNCH. I think that probably a reciprocal arrangement would be more advantageous.

Mr. UNDERWOOD. You think that would be the safer proposition?

Mr. LYNCH. Yes, sir.

Mr. UNDERWOOD. Now, at what point do you think the duty could be levied on lumber that would produce the greatest revenue to the Government?

Mr. LYNCH. Well, I think possibly at a dollar a thousand, making it a specific duty and not making a higher duty on surfaced lumber than there is on rough lumber.

Mr. UNDERWOOD. You would think that a revenue tariff would be about a dollar a thousand?

Mr. LYNCH. I think so; yes, sir.

Mr. GAINES. Do you advocate a dollar a thousand on lumber products?

Mr. LYNCH. I do not, sir.

Mr. GAINES. What are you advocating?

Mr. LYNCH. I think it should be free trade.

Mr. GAINES. Then you are not the sort of a tariff Democrat that Mr. Underwood is, and now we do not know where you stand.

Mr. CLARK. Well, I judge from the things we hear here that the reference in the Republican platform to the tariff meant that the tariff will go up.

The CHAIRMAN. You have not seen our bill yet.

Mr. CLARK. Well, I have seen the platform, and am listening to these hearings.

What reason is there for the Canadian government devising that double price upon this lumber, so much a square mile rental, and so much royalty on a thousand feet?

Mr. LYNCH. The Canadian government never passes the title to its lands. When it passes a right to cut the timber it always retains

Digitized by Google

the fee to the land. They charge in lieu of their taxes a rental on that land, which is paid annually, and that is in addition to the bonus which you have to pay the government when you acquire the difference, and also in addition to the royalty which you have to pay when you saw it.

Mr. CLARK. When the American lumberman gets hold of American lands, he gets the fee, does he not?

Mr. LYNCH. He gets the fee.

Mr. CLARK. He has the soil after he cuts the timber off.

Mr. LYNCH. Yes; and in many cases it is much more valuable than the timber.

Mr. CLARK. As a matter of fact this timber land is being skinned off in Minnesota and Wisconsin, and up in that country—Michigan, I suppose, too—and sells after the timber is taken off for about as much as the government price of the original land?

Mr. LYNCH. Mr. Stout, a member of a lumber company in Wisconsin, told me two or three weeks ago that he had several thousand acres of land in Wood County, Wis., that they had logged from—I think he said three times—and the land was now worth $25 per acre.

Mr. CLARK. How much did he give for it originally?

Mr. LYNCH. He did not say.

Mr. CLARK. What is the reason the Canadian government does not give the fee to this land?

Mr. LYNCH. It is a question of policy of the government.

Mr. CLARK. What is the reason for the policy?

Mr. LYNCH. I am not furnished the reasons for the action of the Canadian government.

Mr. CLARK. You take these pine lands in the northern part of the United States; they are cutting saplings there now that do not produce lumber more than 4 inches, 5 or 6 inches wide, do they not?

Mr. LYNCH. Yes, sir.

Mr. CLARK. And the American forest will not reproduce itself?

Mr. LYNCH. They do if they are taken off slowly.

Mr. CLARK. Suppose you cut off all the pine on the pine land in Wisconsin and Minnesota, clean it clear off, clear it out, would that come up in pine again?

Mr. LYNCH. I do not think it would.

Mr. CLARK. That is my understanding about that.

Mr. POU. I didn't exactly understand your opening remarks, because I could not hear distinctly. Did I understand you to say that in case this duty were removed it would not affect the price to the users of lumber?

Mr. LYNCH. At present I do not believe it would change the price a particle. It costs just as much to produce lumber in Canada as it does here. I do not think that we could ship anything in here at the present price in competition with the prices that prevail now, without the duty; but I went on to say that if the price should be materially increased, back to where it was in 1896, and for several years preceding that time, the Canadian lumber men could come into this market and sell at a profit without a tariff.

Mr. POU. Who is going to get the benefit of the removal of the duty?

Mr. LYNCH. If the present prices prevail?

Mr. POU. Yes.

Digitized by Google

Mr. LYNCH. I do not think that there would be any benefits.

Mr. POU. Nobody would get any benefit?

Mr. LYNCH. I know that we could not export a stick of lumber to the United States unless possibly some high-grade finished lumber under present prices, and make money.

Mr. GRIGGS. Do you think the repeal of the duty would ultimately reduce the price?

Mr. LYNCH. I think eventually, but not now.

Mr. POU. Under present conditions, you think there would be no material change?

Mr. LYNCH. No, sir.

Mr. CRUMPACKER. Lumber is rather abnormally low now, is it not?

Mr. LYNCH. I think it is a trifle low now, but I think probably some of the gentlemen who will follow me can tell you a great deal more about that than I could.

Mr. CRUMPACKER. You think that putting lumber on the free list would prevent its ordinary increase in price in the future, so that the consumer would be benefited by it?

Mr. LYNCH. I think so.

M. J. SCANLON, MINNEAPOLIS, MINN., APPEARS IN ADVOCACY OF REMOVAL OF DUTY FROM LUMBER.

FRIDAY, *November 20, 1908.*

Mr. Chairman and gentlemen of the Ways and Means Committee, I wish to apologize for appearing here and taking up your valuable time on the question of a revision of the tariff on timber products, and more particularly on the lumber tariff. I appreciate that most of the gentlemen that appear before you on tariff matters do so for the purpose of presenting arguments why the tariff should not be removed or disturbed, and wish to state that my reason for coming here to advocate removal of the tariff on lumber is not a selfish one.

My associates and myself are heavily interested in Canadian stumpage, but we are also large owners of timber in Oregon, Florida, and Louisiana, and are interested in the manufacture of lumber on a large scale at Scanlon, Minn., and longleaf yellow-pine lumber at Kentwood, La., but for every hundred dollars invested in Canadian timber we have more than a thousand invested in timber and mills on this side of the line. If I had any reason to believe that our business would be seriously affected by a removal of the tariff on lumber, I would not be here advocating it. I am of the opinion that the tariff on lumber should be removed, because it is not a protection to American manufacturers of lumber or American labor, except so far as they are owners of stumpage. A large part of the timber of this country is in the hands of individuals and corporations and is held as an investment, and also not purchased with a view to manufacturing it. Such investments have always proven very profitable and will continue to do so, regardless of whether there is a duty on lumber coming into this country or not. I do not consider it equitable and just to afford protection to that form of investments at the expense of the public at large.

Digitized by Google

In 1894, 1895, 1896, and 1897 it was possible to purchase timber in Minnesota at from $1 to $2 per thousand for white and Norway pine. The tamarack, jack pine, and spruce, if there was any on the land, was included in the sale without cost to the purchaser. To-day the minimum price on timber in Minnesota is not less than $6 per thousand and the maximum $12 per thousand, depending on the quality and accessibility of it for logging purposes, and there is little to be had at these prices. The jack pine, spruce, and tamarack above mentioned, which were not formerly included in the purchase price, are now paid for at the same rate as the other timber on the land. The same conditions prevail to-day in the pine districts of Michigan and Wisconsin, except that prices of stumpage are higher for especially good bunches of timber.

For a number of years our concern produced from 200,000,000 to 250,000,000 feet of lumber annually in the State of Minnesota. This year our production will be only about 40 per cent of our former cut, and will cease entirely in 1909. In 1896 we commenced the manufacture of lumber in Minneapolis, Minn., and we cut from 40,000,000 to 60,000,000 feet annually at that point. We were forced to discontinue our business in 1905 in that city, because it was impossible to secure logs to stock the mill. The first year we were in business at that point we sold our lumber mill run at $10.25 per thousand, while six years later, or in 1902, our stock sold, mill run, for $17.52. This stock was manufactured from a poorer class of logs than we manufactured in 1896. I am credibly informed that mill-run stocks of lumber from a still poorer class of logs netted the manufacturer in that city about $22 per thousand in the years 1906–7. In 1901 Minneapolis was the largest lumber-producing city in the world, her output for that year being about 700,000,000 feet, while the output for 1908 will only be about 300,000,000 feet.

I mention these facts merely to show you the rapid increase in the value of timber and lumber and the rapid decline of the lumber industry in what is known as "the three white-pine States of the North." The increase in the value of stumpage in the Western and Southern States has been even more marked. In 1908 my people purchased a block of timber in Oregon at a cost of about 17½ cents per thousand. To-day a conservative estimate of the value of that timber would be $1.75 per thousand. For years billions of feet of timber of equally as good quality and as favorably located for logging purposes in that same district could have been acquired at the same price as we paid for ours. I did not regard that purchase as a particularly attractive one at the time, as we could have taken the same money and done equally as well or better in many other parts of Oregon, Washington, or California. In 1890 I was interested in the purchase of a large tract of cypress timber in Louisiana that cost us less than 40 cents per thousand. Unfortunately for me, I parted with my interests in that timber before it became very valuable, but I am informed by cypress manufacturers in that territory that cypress timber of that quality and accessibility would sell readily at $6 per thousand or upward. In 1892 I looked at a tract of long-leaf yellow-pine timber in Louisiana that could be acquired at that time for about $1.25 per acre. My people purchased that same identical tract of timber in 1905 at a cost of $22 per acre. I understand that a tract of timber adjoining ours, of the same quality and quantity per acre, sold

Digitized by Google

for $47.50 per acre within six months of our purchase. I would hardly care to make an estimate of its value now, as all our southern-pine lumber manufacturers are endeavoring to see how close they can come to giving away our stumpage and lumber without getting into the hands of the sheriff.

My experience in the purchasing and ownership of standing timber is about the same as other owners—uniformly profitable except in cases where the owner was unwise enough to build a sawmill to manufacture it without a thorough knowledge of the business. This occasionally has led to disaster. The labor employed in and about the timber industry of this country has not had any protection under the tariff, and it is foolish to contend that it has or will have protection. All you need to do to convince yourselves on this point is to compare the rate of wages paid in Canada, our only competitor, with the rate paid on this side of the line. We are operating one very large sawmill at a small town, in Scanlon, Minn., cutting about 100,000.000 feet per annum. This year we are paying common labor in and about the plant $1.75 per day of ten hours, in the woods $1.50 per day, and skilled labor in the same proportion. The same general rate of wages prevails throughout the lumber district of Minnesota, Wisconsin, and Michigan, except in some of the larger towns and cities the rate is as low as $1.60 per day. In these three States I contend we have the best and most efficient sawmill and woods labor in the world. We are operating two sawmills in the long leaf yellow pine district of Louisiana. At these mills we are paying common labor in the mills and woods $1.25 per day, and the higher grade workmen in the same proportion. This labor is not so good as that employed at our northern plant, due to the fact that the lumber industry has not been so long established, and on account of the social and climatic conditions.

In the Province of Ontario, Canada, about the same scale of wages prevails as are paid in Michigan, Wisconsin, and Minnesota. In the Provinces of Saskatchewan, Alberta, and in the mountain district of British Columbia, common labor is paid at the rate of $2.25 per day of ten hours in the sawmills, and $2.50 per day in the woods, while in the so-called coast district of the Province of British Columbia common labor receives $2.50 per day in the sawmill and $3 per day in the woods, and skilled labor is being paid in the same proportion. There is some oriental labor used in the British Columbia mills, ranging in price from $1.25 to $1.75 per day, depending on the class of work they perform. Considering the efficiency of this oriental labor, they are more expensive than white, and they would not be employed at all if white labor could be obtained. In fact, the laws of British Columbia prohibit the use of oriental labor in cutting and removing the timber from provincial lands. Wages are so high in Canada that I do not think we have anything to fear on that score.

Canada is a new country that is rapidly developing. The demand for labor in that country for years to come will be greater than the supply, and the difference in wages paid the Canadian and American workmen in the timber industry is likely to be much more to the advantage of men employed in Canadian mills.

I have spent much time and money examining timber lands in the Western and Southern States and in the Provinces of Saskatchewan, Alberta, and British Columbia, and so far as my own observations go and the reports of our men are that the American manufacturer

Digitized by Google

of lumber has little to fear from the Canadian territory, as the cost of Canadian logs delivered at the mills will always be as great or greater than the cost of logs at the mills of the American operator.

I believe that the removal of the tariff on lumber would conserve the forests of our country. I think it would have a tendency to check the abnormal advances that have occurred of late years, both in timber and lumber. I believe it will broaden the markets for the consumers of lumber and eventually lead to a more uniform, healthy condition of the lumber trade in general in this country.

In 1892 I examined a tract of leaf pine in Louisiana that could be purchased for $1.25 per acre. That might have been purchased in 1865 at 22 cents per acre, but I think that some has been recently sold at $47.50 per acre.

It would be somewhat hard to-day to make a statement of the stumpage in the South. Most of the manufacturers are trying to saw lumber so cheaply that it is hard for them to keep out of the hands of the sheriff.

Mr. RANDELL. Where did you say that land was?

Mr. SCANLON. In Louisiana.

Mr. BOUTELL. Would it lower the price to the consumer to reduce or change the tariff?

Mr. SCANLON. I do not think so. It will lower the price in this way, that it will maintain a better average price.

The CHAIRMAN. I notice that you said in the preface to your remarks that you apologized for appearing here when so many were appearing on the other side favoring no change, but that you apologized for asking a change in the tariff.

Mr. SCANLON. Yes, sir.

The CHAIRMAN. I do not wonder that you made that statement if you have read the Minneapolis papers. For instance, I find an editorial in the Minneapolis Tribune which says, "It is hard to get a just tariff revision out of a prejudiced court that hears evidence on one side only." Now, I want to say that the only persons who have been invited to come before the committee, excepting the people in the departments, have been the people of the very class that the editor of the Minneapolis Tribune speaks about. He has a personal letter from the committee asking certain people to appear before the committee and furnish it with any facts bearing upon any schedule if they can show how that schedule should be reduced, and they have also been asked to publish that in their newspapers, so that if they or their subscribers or readers care to they can come before the committee. That general invitation has been sent out and they are the only class who have been invited to appear. The others come voluntarily. The committee invites all gentlemen who believe as you do to bring their facts and state them to the committee. What we want are the facts in regard to these schedules and others that may be proposed to help us in our deliberations. We want the bill to be justified by the facts as to each schedule, and therefore we invite all persons to give us information, and you are as welcome as anybody who is here in defense of this schedule whether you ask an increase or a decrease.

Mr. SCANLON. I understand that very well or I would not have been here.

Mr. CLARK (to the chairman). I want to ask you a question. In making your statement do you refer to the minority?

Digitized by Google

The CHAIRMAN. I can not speak for the minority.

Mr. CLARK. Well, I can. The minority are as fully anxious to have facts, and are perhaps a little more anxious than are the majority.

Mr. FORDNEY. On account of the high rate of wages and the low prices of lumber which you have quoted, is it not reasonable that Canadian manufacturers are seeking a wider field for their product?

Mr. SCANLON. I presume that is true.

Mr. FORDNEY. That is one reason why they want the tariff removed.

Mr. SCANLON. I presume so.

Mr. FORDNEY. You are the owner of Canadian timber, are you not?

Mr. SCANLON. Yes, sir.

Mr. FORDNEY. And you are also the owner of timber in the Bahama Islands?

Mr. SCANLON. Yes, sir.

Mr. BOUTELL. Have you ever brought any lumber from those islands?

Mr. SCANLON. No, sir; I never have and I never expect to.

Mr. BOUTELL. Where does that lumber go?

Mr. SCANLON. Its natural market is South America and it is sent to the near-by islands.

Mr. POU. I did not know that there was much timber in the Bahama Islands.

Mr. SCANLON. There is not much.

Mr. FORDNEY. Do you know of any lumber trust?

Mr. SCANLON. To my certain knowledge there never has been one. Sometimes I think that the manufacturers need one.

Mr. FORDNEY. Then this is entirely a bugaboo?

Mr. SCANLON. Entirely without foundation.

Mr. CLARK. How do they manage to keep the prices up so successfully?

Mr. SCANLON. I suppose it is just as it is in any other line of merchandising. The cost to the retailer is usually pretty uniform as coming from the manufacturer, providing he has to buy his supplies in one market.

Mr. CLARK. It surely does not cost precisely the same figures to produce lumber in one section of the country that it does in another section, even in the same neighborhood. It does not cost exactly the same to produce lumber in Washington, Idaho, Michigan, Minnesota, or Wisconsin, but how is it that they all line up and charge the same prices?

Mr. SCANLON. I think you are wrong in that. Just before leaving home I sold white pine at 15 cents. I know that when that gets into the hands of retailers it will not be at the same price.

Mr. CLARK. There must be a difference in the cost price in the different localities in Michigan or Minnesota or Wisconsin, to say nothing about the other States, but at last when they get the lumber off on the retailer it is the same price.

Mr. SCANLON. No; I do not think you are quite right there. You are right in this respect, that there is a great variation in the cost in the same localities, because it may cost $10 a thousand to log it and deliver it to the mills. In another locality it may not cost more than

Digitized by Google

$5 a thousand. Lumber is like anything else, the man who produces it the cheapest is the fellow who gets the benefit.

Mr. CLARK. Say that A produces it $10 cheaper than B, does not A sell the lumber at practically the same price?

Mr. SCANLON. Usually the lumber man knows what his competitor is doing and knows about what the other man's cost of production is, and he acts accordingly.

Mr. CLARK. If one man's cost enables him to barely get a living, then the other man whose cost is cheaper is making enormous and unfair profit, is he not?

Mr. SCANLON. No, sir; because the man who sold the manufacturer the stumpage added it to the price, so that the manufacturer may not be able to sell as cheaply as a man who paid the higher cost of logging.

Mr. CLARK. Do you believe that under any circumstances whatever the price of lumber in years to come is going to materially decrease?

Mr. SCANLON. No, sir; I do not.

Mr. CLARK. Tariff or no tariff?

Mr. SCANLON. Tariff or no tariff.

Mr. CLARK. Mr. Fordney asked you if you did not own large quantities of lumber in Canada and the Bahama Islands.

Mr. SCANLON. Yes, sir.

Mr. CLARK. You own large interests in the United States, do you not?

Mr. SCANLON. Yes, sir; much larger than I do outside in other countries.

Mr. FORDNEY. In answer to the gentleman's inquiry about the uniform price of lumber, is it not true that in various localities, owing to the quality of the soil, one farm will raise 30 bushels to the acre while another farm will raise only half that quantity, but it all sells at the same price?

Mr. SCANLON. Yes, sir.

Mr. FORDNEY. One man raises more owing to better methods of cultivation?

Mr. SCANLON. Yes, sir.

Mr. CRUMPACKER. Prices are fixed by cost of production under the most disadvantageous conditions, where that production is necessary to supply the demand. Is not that a universal rule of economics in fixing prices?

Mr. SCANLON. I do not think so with reference to the lumber business, because I do not think the cost of production is usually taken into account.

Mr. CRUMPACKER. Then you think the economic law of supply and demand does not operate in the lumber business. Where the economic law is in full play prices are fixed by the cost of production under the most disadvantageous conditions where the production is necessary to supply the demand?

Mr. SCANLON. No, sir; I do not think so.

Mr. CRUMPACKER. I think I am necessarily right as to operation of the law of supply and demand in any line of business.

Mr. SCANLON. It may operate in all lines of business except in the selling of lumber, because the cost of production which enters into it is not taken into consideration in the marketing of the product.

Digitized by Google

Mr. CRUMPACKER. If it is taken into consideration of course there would be more timber lands exploited. The rule is an invariable one that prices are affected by the cost of production in areas that necessarily supply demand where cost of production is highest. That fixes the prices where the law of supply and demand operates, necessarily so.

Mr. SCANLON. I do not agree with you.

Mr. CRUMPACKER. That is a matter of opinion.

Mr. SCANLON. Perhaps so.

Mr. RANDELL. You said something about timber in Louisiana and Texas being owned by a few parties.

Mr. SCANLON. I was speaking in a general way, not particularly about lumber.

Mr. RANDELL. You were speaking of it being owned in Louisiana.

Mr. SCANLON. Yes, sir.

Mr. RANDELL. Any in Texas?

Mr. SCANLON. No, sir.

Mr. RANDELL. Are you acquainted with timber in the eastern and southern part of Texas?

Mr. SCANLON. Yes, sir.

Mr. RANDELL. How would you say that the number of individuals, corporations, or firms engaged in the lumber business in Texas would be as compared to the number seven years ago?

Mr. SCANLON. The number engaged in it and the amount produced is larger than it was seven or eight years ago. At that time lumber was being manufactured by small mills. Those are going out of the business.

Mr. RANDELL. Have they been sold out, run out by competition, or have they been bought by the larger concerns?

Mr. SCANLON. They have been bought up by the larger concerns. They were wasteful in the methods of logging and in the methods of manufacturing.

Mr. RANDELL. Are the lumber interests owned now by a few people?

Mr. SCANLON. No, sir; the lumber business of Louisiana is owned by operating corporations. There is quite a large number of them.

Mr. RANDELL. Formerly the smaller mills owned all the timber, practically?

Mr. SCANLON. Yes, sir; the smaller mills sold because they got more money by selling than they could get by manufacturing, owing to the wasteful methods.

Mr. RANDELL. After that the price of land rose materially?

Mr. SCANLON. Southern pine timber began to advance in the early nineties. It advanced in 1891, 1892, 1893, 1894, 1895, 1896, and up to 1897.

Mr. RANDELL. In 1902 a great many of those smaller mills were bought, and from that time the rise began?

Mr. SCANLON. Yes, sir.

Mr. RANDELL. In southeastern Texas what were the prices nine years ago as compared with the prices now?

Mr. SCANLON. I presume there has been at least 300 per cent increase. Lands that were worth $7.50 ten years ago are to-day worth $30.

Mr. RANDELL. It is about 300 per cent increase. I think that is a fair average.

Digitized by Google

Mr. SCANLON. Yes, sir.

Mr. RANDELL. What would be the effect on the price of lumber in the southeastern and the southwestern parts of the Mississippi Valley if the tariff were taken off?

Mr. SCANLON. I do not believe it would have any effect upon prices down there, because no wood would come in from Mexico to compete in that section.

Mr. RANDELL. Would the effect be to prevent the rise to the extent of the tariff?

Mr. SCANLON. I do not think so. There would not be the abnormal advance there has been heretofore.

Mr. RANDELL. Would not that be the tendency? In other words, if we added $2 duty there would be less competition?

Mr. SCANLON. Yes, sir.

Mr. RANDELL. Do we get any lumber from Mexico?

Mr. SCANLON. We export lumber to Mexico.

Mr. RANDELL. There is a great amount of timber in Mexico accessible to Texas and the plains of the Southwest?

Mr. SCANLON. It is a rough country, and the labor is exceedingly poor and very cheap.

Mr. RANDELL. Labor is cheap and timber is often cheap and the country is being opened up by railroads?

Mr. SCANLON. Yes, sir.

Mr. RANDELL. That would open up a supply for the Southwest?

Mr. SCANLON. Yes, sir.

Mr. FORDNEY. One gentleman stated a few moments ago that the price of lumber was $10 a thousand above what it was ten years ago.

Mr. SCANLON. Yes; but I think that gentleman was wrong in his statement. I think that what he intended to say was that lumber at the time of the government report in 1907 was $10 higher.

Mr. FORDNEY. If that statement is true, there is no reason why Canadian lumber could not come into this country?

Mr. SCANLON. No, sir.

Mr. CLARK. While Mr. Fordney was questioning the witness he asked if it was not true that 60 per cent of that lumber was used in the box business or the packing business, and the witness seemed to agree with him.

Mr. SCANLON. That is not true.

Mr. FORDNEY. I said imported lumber.

Mr. CLARK. I did not understand that.

The CHAIRMAN. Part of the lumber coming here is manufactured into boxes, and they get a drawback on that.

Mr. CLARK. What proportion of the consumption of lumber would this box business take as compared to the general consumption of lumber? It would be a very small percentage, would it not?

Mr. SCANLON. In the United States I think it is estimated that about 25 per cent of all of the lumber goes into the manufacture of boxes.

Mr. FORDNEY. Of all made in this country?

Mr. SCANLON. Yes, sir.

Mr. FORDNEY. How about the imported lumber; do you know?

Mr. SCANLON. I do not think any lumber imported from British Columbia would go into the manufacture of boxes, but there is some that comes from Ontario that does so. It is used in the manufacture of boxes in this country, but I would not say what percentage of it.

Mr. FORDNEY. Most of the lumber comes into the Pacific coast?

Mr. SCANLON. Yes, sir.

Mr. BOUTELL. I understand, then, from your statement that you think the repeal of the duty would give to the price of lumber a greater stability, but would not result in reduction of the price.

Mr. SCANLON. That is my theory.

Mr. BOUTELL. If we should repeal the duty on lumber, to go into effect on the 1st of July next, a man in my district could not build a six-room cottage any cheaper after that time than he could now, so far as the tariff is concerned.

Mr. SCANLON. No, sir; so far as the tariff is concerned.

Mr. RANDELL. But if it had the effect to bring down the price of lumber might not the man build his house cheaper hereafter?

Mr. SCANLON. Yes, sir.

The CHAIRMAN. If the duty remains, what do you say to whether or not the price will go up?

Mr. SCANLON. We will have abnormal advances in the price of timber and lumber. It is not a healthy condition. It is not a question of ruining the business, but it might ruin the business of the retailer. I remember that in October, 1905, lumber went down $5 a thousand in five weeks. It left the retailer with a large stock on hand greatly below the prices of 1906. I do not think, however, that that condition will prevail if the tariff be removed.

The CHAIRMAN. Was not that decline of last year due to the panic?

Mr. SCANLON. If prices had not been so high there would not have been any cause for such a drop in the manufactured article.

The CHAIRMAN. Without going into that theory, is it not true that the drop in prices was due to the lessening of the demand in consequence of the stagnation of business?

Mr. SCANLON. Yes, sir.

The CHAIRMAN. There has been a good deal of testimony and argument on that, and I do not think we ought to go into it. You have stated that you have interests on this side and on the other side of the border?

Mr. SCANLON. Yes, sir.

Mr. UNDERWOOD. The yellow pine interests in the South are almost entirely owned and controlled by northern men and northern capital, are they not?

Mr. SCANLON. I do not know about that. I know that northern men and northern capital are heavily interested in southern pine timbers, both in stumpage and in manufacturing.

Mr. UNDERWOOD. Yellow pine timber for outside work in the construction of buildings, that part that comes in contact with the weather, has no competitor, has it? Is it not more valuable for that purpose than any other timber?

Mr. SCANLON. There is a certain species of yellow pine, known as "all-heart pine," which has no competitor.

Mr. UNDERWOOD. Old-field timber is poor and would not stand the weather as all-heart yellow pine would, and, since it has no competitor, would it affect the southern mills if we had free trade?

Mr. SCANLON. I would not say "Yes" on that point because I think to a certain extent it will be.

Mr. UNDERWOOD. Who will compete with them?

Digitized by Google

Mr. SCANLON. You asked as to the competitor of all-heart timber. Fir might come in as a competitor for that purpose.

Mr. UNDERWOOD. Is that domestic pine?

Mr. SCANLON. That is domestic pine.

Mr. UNDERWOOD. It is cheap in this country, and it would be with free trade?

Mr. SCANLON. Oh, yes.

Mr. UNDERWOOD. So that a reduction of the duty, or free trade, would really not affect the southern lumber interests one way or the other?

Mr. SCANLON. I do not think so.

Mr. UNDERWOOD. The cost of transportation of lumber from Mexico into this country is so great that it would not come into competition with the southern territory, especially not with the southern mills, would it?

Mr. SCANLON. I do not think the cost of transportation will be a factor from Mexico, because the railroads can not compete.

Mr. UNDERWOOD. So that, as a practical proposition, so far as the southern mills are concerned, the only thing in which they are involved is the question of revenue?

Mr. SCANLON. Yes, sir.

Mr. UNDERWOOD. At what point do you think the duty should be fixed in order to produce the greatest revenue to the Government?

Mr. SCANLON. My idea would be to repeal the tariff and put an export duty on every foot of lumber produced in this country.

Mr. BOUTELL. You think you would make more revenue by reducing the tariff than by raising it?

Mr. SCANLON. I think you will, as a revenue producer, lose by reducing it.

Mr. UNDERWOOD. Any reduction will reduce the revenue.

Mr. SCANLON. That is my idea.

Mr. UNDERWOOD. You do not think there will be any more importations than there are now?

Mr. SCANLON. No, sir.

Mr. CLARK. I want to ask you one question. Suppose Congress should adjourn after the consideration of this tariff bill—that is, after the revision is made, whatever it is—and leave the tariff on lumber as it is now; do you not think it would accidentally happen, or some other way, that the price of lumber would be immediately marked up $2 or $3 a thousand?

Mr. SCANLON. I think it would have a tendency to advance the price, but it would be due entirely to sentiment.

Mr. CLARK. Due entirely to what?

Mr. SCANLON. Sentiment. That is, it would have a sentimental effect on the market.

Mr. CLARK. No; the real reason would be that these men who own the lumber would know that there was no reasonable prospect of there being a change in the tariff then for a long time to come, and that they could play it just as they pleased. Would not that be the element in it?

Mr. SCANLON. I do not think so, Mr. Clark.

Mr. CLARK. That is what I wanted to ask you.

Mr. HILL. Mr. Scanlon, how long have you been in the lumber business?

Digitized by Google

Mr. SCANLON. I have been in the lumber business all my life.

Mr. HILL. Were you ever in the lumber business in Michigan?

Mr. SCANLON. No, sir.

Mr. HILL. Or in Wisconsin?

Mr. SCANLON. In Wisconsin and Minnesota.

Mr. HILL. In Wisconsin and Minnesota. How low do you remember uppers having been sold, in your particular experience?

Mr. SCANLON. What do you mean by the term "uppers?"

Mr. HILL. What were technically known as fourths and selects.

Mr. SCANLON. We do not have them that way in our market.

Mr. HILL. I know you do not, but you did when you were in Wisconsin, did you not?

Mr. SCANLON. I never was engaged in the manufacture of lumber in Wisconsin.

Mr. HILL. I beg your pardon; I thought you were. You were manufacturing in Minnesota?

Mr. SCANLON. Yes, sir; I was manufacturing in Minnesota.

Mr. HILL. What part of the production of your logs, what percentage of it, turns out fine upper grades of lumber?

Mr. SCANLON. A very small percentage.

Mr. HILL. Is it more than than 3 per cent?

Mr. SCANLON. Rather more than that; yes, sir. I would place it somewhere in the neighborhood of 5 per cent. I have those figures here, exactly.

Mr. HILL. Is it not a fact that the Canadian product of lumber, the shipment that comes to the United States, is largely the log run? Are not the Canadian shipments now into the United States largely the log run, everything above the mill cull?

Mr. SCANLON. No, sir; I think you are mistaken in that. It is what is termed "low-grade lumber" from the eastern district. In the western district it is largely the opposite, a high-grade lumber, and the culls find a market at home.

Mr. HILL. Do you ship any southern lumber into Canada, Georgia pine and North Carolina pine?

Mr. SCANLON. No, sir; we are manufacturing in the long-leaf district of Louisiana, and are selling considerable lumber in eastern Canada—Montreal and Ottawa.

Mr. HILL. What is the average price now of yellow-pine flooring; narrow, first-class, clear flooring?

Mr. SCANLON. We only have one market for that class of lumber, and that is in the New England States, and it is usually sold in that territory in a wholesale way at $50 a thousand.

Mr. HILL. How long have you been manufacturing in Louisiana?

Mr. SCANLON. There is so little of that grade of lumber sold that the price has practically remained stationary.

Mr. HILL. All right.

Mr. FORDNEY. Do you sell in the Canadian market the same grades of lumber cheaper than you do in the markets in the United States?

Mr. SCANLON. No, sir.

Mr. FORDNEY. You are not the witness that Mr. Knappen was going to produce to prove that American lumber was being sold cheaper in Canada than in the United States?

Mr. SCANLON. No, sir.

Digitized by Google

Mr. CLARK. I will ask you another question about these Canada leases. I want to ask what they put this square-mile charge on for? Is it not true that they prohibit all cutting of trees less than 10 inches in diameter?

Mr. SCANLON. I am positive that the reason why British Columbia markets its lumber in that way is to conserve the forests of the country in that way, by directing the timber that shall be cut and removed from those lands.

Mr. CLARK. They have a rule that you shall not cut a tree less than 10 inches in diameter?

Mr. SCANLON. Yes.

Mr. CLARK. And they employ their own forester, or whatever they call him, to see that that provision is enforced?

Mr. SCANLON. Yes, sir.

Mr. CLARK. That being the case, it really gives the man who buys the American timber lands the advantage over the man that operates these leased lands in Canada, to the extent that the American can cut the whole thing off and have his land left?

Mr. SCANLON. That is, where he is operating on his own lands; except that he can not do it on forest-reserve lands in this country.

Mr. FORDNEY. The lands on which such timber is sold in Canada are subject to homestead entry at any time, are they not? So far as Ontario is concerned, I know that is so.

Mr. SCANLON. I do not think that is true of British Columbia.

Mr. FORDNEY. It is true in Ontario.

Mr. SCANLON. I think the disposition of the British Government in this country is to treat the owner of the timber license fairly, and I think if there was a market or demand for that land for agricultural purposes, a man would be given a reasonable time within which to cut and remove the timber.

Mr. FORDNEY. In Ontario land is subject to homestead entry, and the farmer, the homesteader, is permitted to cut and clear the timber from the land he wishes to put under a state of cultivation.

Mr. SCANLON. Yes, sir.

Mr. FORDNEY. I did not know what it was in British Colombia territory.

A. E. GILBERT, OF DULUTH, MINN., FAVORS FREE INTERCHANGE OF FOREST PRODUCTS WITH CANADA.

FRIDAY, *November 20, 1908.*

Mr. GILBERT. Mr. Chairman and gentlemen of the committee. I represent the Red Cliff Lumber Company, of Duluth, Minn., and Red Cliff, Wis. We own timber in Minnesota and Wisconsin, and also on the Pacific coast in British Columbia. I may say that our timber land in British Columbia is not licensed; it is owned in fee. We own and operate sawmills at Duluth, Minn., and at Red Cliff, Wis., where we are government contractors, cutting the Red Cliff Indian Reservation. Besides, we buy and sell lumber at Duluth, doing a jobbing business also.

I am in favor of the free and unrestricted interchange of forest products with the Dominion of Canada. I have seen the price of

Digitized by Google

pine timber increase from 50 cents a thousand to $12 a thousand in Minnesota in twenty years. Some years ago we got to a point where we could not buy any logs, or enough to run our mills. The last two years we have not been able to buy any timber, and in another year we will only be able to buy timber from two or three concerns, if at all, to keep our jobbing business going, and we will have to go out of business. I have seen mills on Lake Huron, in Michigan, have to shut down and go out of business on account of the embargo placed on logs by Canada, due to our tariff. These mills were not helped by the tariff; quite the contrary. Not being able to carry large reserves of timber, on account of their lack of capital, and not being able to get any raw material from Canada, due to the embargo on logs, the retaliation of Canada on account of our tariff, these mills had to close down, dismantle, and go out of business; and this same thing will happen on the Pacific coast, where syndicates and large companies have bought up large areas of timber land, and the mill men there who are not able to buy and carry large timber reserves and buy their logs and hope to for years to come, will be disappointed and find that they will have to go out of business just as many of the mills in eastern Michigan had to do, unless our duty on lumber is taken off in a way which will bring along with it the taking off of the embargo on logs, so that these smaller mills can get their raw material from Canada at reasonable prices.

Mr. FORDNEY. Mr. Gilbert, you say you are manufacturing in Minnesota and will have to go out of business in a short time for the lack of timber?

Mr. GILBERT. I said our jobbing business would.

Mr. FORDNEY. How about your manufacturing?

Mr. GILBERT. We have timber. We have twice as much capital invested in this country as we have on the coast.

Mr. FORDNEY. How long will your standing timber last you, with your capacity?

Mr. GILBERT. All of ten years.

Mr. FORDNEY. When you go out of business you would like to go into business where your timber is in Canada, would you not?

Mr. GILBERT. Yes; or in this country where we can bring our logs into this country.

Mr. FORDNEY. Do you believe if we remove the duty on lumber Canada will remove her embargo on logs?

Mr. GILBERT. I hope she will. She did not have an embargo before we had a duty.

Mr. FORDNEY. Oh, yes; she did.

Mr. GILBERT. Did she?

Mr. FORDNEY. Yes; we have always had a duty on Canadian lumber.

Mr. GILBERT. But there was no embargo on logs. They did not stop the logs going out. The logs were taken to Saginaw and Bay City.

Mr. FORDNEY. When the duty was placed on the lumber by the Dingley bill, then is when the embargo was put on logs.

Mr. GILBERT. Yes; that is what I mean.

Mr. FORDNEY. Because Canada wanted Canadian labor and Canadian manufacturers to have the benefit of the manufacturing in Canada; is not that true?

Digitized by Google

Mr. GILBERT. Yes, sir.

The CHAIRMAN. Canada putting an embargo upon logs would depend altogether upon the construction of the tariff. It could be arranged so that it would be an altogether too expensive experiment for her by putting a higher tariff on.

Mr. GILBERT. Yes, sir.

The CHAIRMAN. Or by putting a maximum tariff on logs?

Mr. GILBERT. Yes.

Mr. GAINES. I believe that the Canadian government sells its stumpage to the highest bidder; is that correct?

Mr. GILBERT. The vast majority of it; yes, sir.

Mr. GAINES. Is the timber land that you have reference to in Canada mainly owned by the government?

Mr. GILBERT. Yes, sir.

Mr. GAINES. If Canadian manufactured lumber was admitted free of duty in this country it would increase the demand for the Canadian stumpage, would it not?

Mr. GILBERT. I think it would; yes, sir.

Mr. GAINES. Therefore when the purchasers went to bid for Canadian timber they would pay higher prices, would they not?

Mr. GILBERT. Necessarily some; yes, sir.

Mr. GAINES. So that all of the benefit would not go to the consumer in America, but a large portion of it would go to the Canadian government for the land?

Mr. GILBERT. No, sir.

Mr. GAINES. What is your answer to that?

Mr. GILBERT. No, sir; I do not agree with you. I think the mill man in America would still have the chance to buy some raw material, which he has not had in this country, and in years he will not have if that embargo still stays on.

Mr. GAINES. But you have already stated that the removal of the duty would increase the competition by Canadian timber; it would put up the price of Canadian timber, would it not?

Mr. GILBERT. To some degree; how much I could not say.

Mr. GAINES. And to the extent that the removal of our duty increased the price of the Canadian government's stumpage, the Canadian government's stumpage would get the benefit of the duty and not the ultimate consumer, if I may borrow that term?

Mr. GILBERT. I think the price of Canadian stumpage is fixed by statute. It is a certain amount in each province, and they may charge a ground rent.

Mr. GAINES. You said it was submitted to competition and sold to the highest bidder. Now, was that correct, or is it fixed by statute, a fixed amount?

Mr. GILBERT. I think it is both.

Mr. DALZELL. The minimum is fixed by statute.

Mr. GILBERT. Yes, sir. I think it has been on a tariff where they have paid bonuses, and those bonuses largely accrued to speculators.

Mr. FORDNEY. There is no minimum fixed on Canadian timber that is sold at public auction, except the Crown land dues?

Mr. GILBERT. No; the crown land dues are a rent, as I understand it.

Mr. FORDNEY. There is no minimum fixed on stumpage except the crown land dues?

Mr. GILBERT. No; it is fixed when you cut your timber.

Digitized by Google

Mr. FORDNEY. That is the crown land dues?

Mr. GILBERT. Then there is a rent on top of that.

Mr. FORDNEY. I am talking now about the stumpage.

Mr. GILBERT. Yes.

Mr. FORDNEY. When you buy timber in Ontario at public auction, you buy it subject to the payment of certain crown land dues, when the timber is cut?

Mr. GILBERT. Yes.

Mr. FORDNEY. A dollar or $1.25, or whatever the case may be?

Mr. GILBERT. Yes.

Mr. FORDNEY. And there is no other minimum but that?

Mr. GILBERT. They have had to pay premiums to get that timber.

Mr. FORDNEY. Yes; but I am talking about a statutory fixed value.

Mr. GILBERT. No, sir; there is none.

Mr. FORDNEY. There is none?

Mr. GILBERT. No, sir; not that I know of.

Mr. BOUTELL. The other witnesses on this schedule testified that in their opinion the repeal of the lumber duty would not immediately affect the price of lumber to the retail dealer.

Mr. GILBERT. I do not think it will. I do not think it makes any difference.

Mr. BOUTELL. They further stated that it would give stability and steadiness to the price.

Mr. GILBERT. I agree with that.

Mr. BOUTELL. And that, in the third place, it would produce as much rise in the price of lumber in the future as would take place if the tariff had not been repealed?

Mr. GILBERT. I think so; yes, sir.

Mr. BOUTELL. What would you say, in the fourth place, as to the prospects of an increase in the future with the tariff repealed, though not as great as it would have been with the tariff?

Mr. GILBERT. I think it would be more a condition of that embargo on logs being taken off.

Mr. BOUTELL. So that there is not very much sunlight ahead for my ultimate consumer of lumber, even with the repeal of the tariff, in the steadiness of the price?

Mr. GILBERT. There is if we couple with that repeal of the tariff that small mills can get material elsewhere, raw material, the same as a gristmill does.

Mr. FORDNEY. Do you think there is any prospect of the Canadian government ever taking off that embargo?

Mr. GILBERT. That I could not say; but if the duty was taken off, it should be taken off with that condition.

Mr. CRUMPACKER. The standing timber in this country is owned largely by large lumber corporations now, is it not?

Mr. GILBERT. Yes, sir.

Mr. CRUMPACKER. And the Canadian government refuses to sell the fee, but sells the timber to the highest bidder for the purpose of preventing big corporations in Canada and America from going over and buying and owning and monopolizing the standing timber? That is the policy, is it not?

Mr. GILBERT. No, sir; I do not think so; because you can buy any amount of it you wish, but you can not get the land.

Mr. CRUMPACKER. But you can not buy for speculation?

Digitized by Google

Mr. GILBERT. Yes; they do.

Mr. CRUMPACKER. You have to pay an annual rental?

Mr. GILBERT. Yes; but those leases are transferable. Those leases are bought and sold on the market every day.

Mr. CRUMPACKER. Yes; but a man can not buy Canada timber land? You can not get the fee title?

Mr. GILBERT. No; he pays an annual rental.

Mr. CRUMPACKER. He is charged up with an annual rental, anyway.

Mr. GILBERT. Yes.

Mr. CRUMPACKER. So that speculators can not invest profitably in Canadian timber, for the purpose of holding it for a future rise in value?

Mr. GILBERT. I do not agree with you. They do.

Mr. CRUMPACKER. They do?

Mr. GILBERT. Yes; it is being done every day, with great profit. All they do is to take chances that they can get rid of it before that lease time runs out.

Mr. CRUMPACKER. If the tariff was taken off, the small dealer would have an additional market. He would not have to go to these big lumber corporations in America who now have almost a monopoly of the standing timber, but he could go to Canada for his supply, could he not?

Mr. GILBERT. Yes; provided this embargo was taken off; or in other words, he could go to the small mill men who buy supplies in Canada.

The CHAIRMAN. Do you know of any monopoly in the United States?

Mr. GILBERT. No, sir; I do not think there is any such thing.

Mr. CRUMPACKER. Is it not true that in Ontario the government sells an option on the land and gives a license to cut to the following May of each year, and will extend that license from year to year upon the payment of the $3 a square mile tax.

Mr. GILBERT. I am not so familiar with terms in Ontario.

Mr. CRUMPACKER. But there is nothing to prevent, in Canada, a concern or a corporation or a set of individuals from buying all the timber in Canada?

Mr. GILBERT. Yes; they can, as I said.

Mr. CRUMPACKER. And they can hold it for an indefinite time?

Mr. GILBERT. Yes, sir.

Mr. CRUMPACKER. Well, under the law of Ontario, by paying the annual tax a license is extended to the first of the following May, each year.

Mr. GILBERT. I am not familiar with the law of Ontario.

Mr. CRUMPACKER. That is the law of Ontario.

Mr. GILBERT. If you say so, of course I presume you are right.

J. B. WHITE, OF KANSAS CITY, MO., CLAIMS THAT THE LUMBER INDUSTRY NEEDS CONTINUED PROTECTION.

FRIDAY, *November 20, 1908.*

Mr. WHITE. Mr. Chairman and members of the Ways and Means Committee, I am a manufacturer from Missouri and Louisiana. For twenty-five years I have been in Missouri; fifteen years previous to

Digitized by Google

that I was a manufacturer in Pennsylvania. If I was a better lawyer I do not know but I should demur to the evidence already in, and let the case go to the jury, but I would be very glad if you gentlemen were a tariff commission that had the power to listen to the arguments that come in from time to time, and recommend, and had power to act; but I have faith that this committee will hear impartially and render a just recommendation.

I have listened to a great deal that has been said on this side, and I think it likely that I can offer some explanations to make the situation clearer in some respects. I have personally always been in favor of protection that protects both capital and labor, both American industries and American labor, and that protects the American industries because it protects American labor, and I would not favor any reciprocity or trading of tariff schedules between ourselves and any other nation unless this country received a fair deal in behalf of these farmers and these laborers. I believe it is fair to ask that in the consideration of a reduction of tariff we should also ask that we be placed upon equal conditions with the nation that we are to compete with. If that is done, I think there would be less objection to a reduction of the tariff as it now stands. I believe that those who favor free trade are honest in their views, and that those who believe in a tariff for revenue only have some way of figuring within their own minds a national gain as a whole, as a result of letting foreign competition in upon us.

The CHAIRMAN. What do you think of those who believe in all three, in spots?

Mr. WHITE. Well, then, I think they are to be excused because of local conditions. I know that in Missouri we had a United States Senator who was that way. He always voted for a tariff on lead.

Mr. CLARK. And he got in all sorts of hot water, too, did he not?

Mr. WHITE. Yes; but he died regretted.

Mr. CLARK. Yes; I know he did die regretted, but he did not die regretted on account of that part of it.

Mr. WHITE. Yes; but it showed that he had sympathy with his people.

Mr. CLARK. He had sympathy for about one-thousandth per cent of his constituents when he voted that way.

Mr. WHITE. That is, of course, from a view point.

Mr. CLARK. Yes; I know it is.

Mr. WHITE. Now, the American manufacturer pays more for what enters into his cost than does his Canadian competitor, as indicated by the following duties:

Band saws, 10 cents a pound and 20 per cent ad valorem; circular saws, 25 per cent; crosscut saws, 6 cents a foot; axes and other tools, 45 per cent; railroad rail, $7 a ton; band iron for shingles and iron ties for hard-wood flooring, one-half cent per pound; leather belting 35 per cent; sisal lath yarn, 45 per cent; hemp rope, 45 per cent: wire, 1¼ cents per pound (when made into cable an additional duty of 1 cent); mules and horses, $30 a head; mules and horses, valued over $150, 25 per cent ad valorem; wheat flour, 25 per cent; wheat, 25 cents a bushel; potatoes, 25 cents a bushel; corn, 15 cents a bushel; barley, 30 cents a bushel; meats, all kinds, canned or preserved, 25 per cent; fresh beef, mutton, or pork, 2 cents a pound; locomotives

Digitized by Google

and parts, 35 per cent; cars, 45 per cent; wheels for cars, 1½ cents a pound; wrought-iron pipe for dry kilns, 35 per cent.

Now, that is a big item which enters into the cost of a plant.

Mr. CRUMPACKER. Is it your theory that the American consumer pays the tariff—the tax?

Mr. WHITE. I do not know how much of it he pays, but I am satisfied that it would not be there if it was not intended that he should pay a part of it.

Mr. CRUMPACKER. Yes. Then the consumer of lumber, of course——

Mr. WHITE. You mean the consumer to pay the tax?

Mr. CRUMPACKER. Yes; the American consumer. I understand that is the argument you are making now?

Mr. WHITE. No; I thought you meant the manufacturer.

Mr. CRUMPACKER. The consumer pays the tariff, pays the tax; that is the argument you are making now, I understand.

Mr. WHITE. I mean that he has to pay a portion of this tax. I do not know how much of it; I do not know how much of it really applies. I do not suppose that wheat is exactly 25 cents a bushel higher because of that tariff. I do not suppose that perhaps locomotives are exactly 35 per cent higher because of that tariff. But I do know that it has an effect, and I do know that if we have to compete we will have to add this expense, a goodly portion of it, to the price of our lumber products. It enters into the cost, and of course we will have to add it to the price.

Mr. CRUMPACKER. So that for the same reason the tariff on lumber makes the lumber correspondingly higher to the consumer in the country?

Mr. WHITE. It would seem to make it correspondingly higher, or make the stumpage less; but my friends on the other side have been arguing that it does not make any difference; if we have free trade lumber is going to be kept up just the same. This is rather an anomalous situation.

Mr. CLARK. Leave those arguments out and let me ask you one question. That was not carried to the legitimate conclusion. You are arguing, evidently, or you would not have been citing these figures, that the tariff on these articles you name makes the expense of making lumber higher. Now, what I want to ask you is, if that is true, as you are intending to make the impression that it is true?

Mr. WHITE. Yes.

Mr. CLARK. Then, when you clap this $2 tax on top of the lumber, the fellow that uses the lumber pays what you paid and then $2 extra; that is right?

Mr. WHITE. Then I am in favor, if you take off the $2 tax, of taking off the entire tariff on everything that enters into the lumber.

Mr. CLARK. Certainly; you are just where I am. There is not a particle of difference, if that is your position, between your position and mine.

Mr. WHITE. If it is a matter of free trade, then we stand together; we will either all go down together or go up together.

Mr. CLARK. Now, nobody is talking about free trade and nobody is contemplating free trade. The difference in theories is that on one side the main idea is protection and on the other side the main idea is revenue. I want to ask you one more question. I do not want to interrupt you at all. Do you not know that every time you put a tariff

Digitized by Google

on an article, no difference whether the intention of the man that puts it on is to get revenue out of it or to get protection out of it, the result is double, unless it is prohibitive, and that you get revenue and that you get protection, whether you wanted to get it or not? Is not that true?

Mr. WHITE. Now, I am in favor of protection, personally.

Mr. CLARK. I am not asking you what you are in favor of or what I am in favor of. Is not that the net result of the whole performance? Say, for instance, I am a tariff-for-revenue man.

Mr. WHITE. Yes.

Mr. CLARK. I am willing to put a tariff of 25 per cent on something or other.

Mr. WHITE. Yes.

Mr. CLARK. You are a protectionist in theory, and you want to put a tariff of 25 per cent on there for protection?

Mr. WHITE. Yes.

Mr. CLARK. When you get your 25 per cent on and I get my 25 per cent on they have a double result, do they not?

Mr. WHITE. Yes.

Mr. CLARK. Unless it is prohibitive?

Mr. WHITE. Yes; unless it is prohibitive. We get the benefit of the tariff and we get the benefit of the revenue. For instance, take the lumber that comes in now from Canada. I think it amounted in duties last year to something like $3,000,000. That is a protection of $2, and we get $3,000,000 in revenue in addition to that protection.

Mr. CLARK. Suppose we cut the tariff down to $1. In your judgment would the Government get more total revenue out of the lumber business than it is getting now?

Mr. WHITE. Well, it might not get any more; it would depend altogether upon conditions—upon the local conditions of the local markets.

Mr. CLARK. There would not enough lumber come in to disturb you people in holding the market level, would there?

Mr. WHITE. We are not making any money now.

Mr. CLARK. How does it happen that there are so many multimillionaires in the lumber business then?

Mr. WHITE. They did not make it manufacturing lumber.

Mr. CLARK. What did they make it at? I would like to find out.

Mr. WHITE. With all due respect, I would like to put you on. [Laughter.] I can cite my own experience. I began manufacturing lumber when I was 21 years old, and I have been manufacturing it ever since, and I have not made any millions. Those who have made money in the lumber business, I think, have made it on stumpage. The man who bought his lumber, who bought his stumpage, to manufacture to-day, did not make anything but a reasonable profit. If you expect to make some money in manufacturing lumber, you will have a good opportunity now, because you can buy your stumpage and anybody can start right in; but you will not make any great amount of money—you will not make any. Under present conditions you would not make any. But if you buy more than you need for to-day, and you buy enough to last you for fifteen years, you will go along and make a little money off of your commissary and a little money off of your blacksmith shop, and you will live; and the last ten years your timber will advance, possibly, so that you will get out with a

Digitized by Google

good big fortune. It is on the stumpage it has been made; it is on the natural rise.

Mr. HILL. Then the conclusion is that the entire protection is to the owner of the stumpage?

Mr. WHITE. It is to the stumpage and also to the manufacturer. If I am manufacturing lumber I have got to compete. I have got to sell my stumpage. I am buying my stumpage of you gentlemen, and then I have got to sell it to compete with Canada.

Mr. CLARK. Right in connection with that, do you know of any set of men in the United States who are less in need of protection than these people that are dealing in stumpage?

Mr. WHITE. Well, I think that if they go to manufacturing lumber at the present prices of stumpage, they need protection, considering the market.

Mr. CLARK. The very moment they go to manufacturing they get into another business?

Mr. WHITE. Yes; that is right.

Mr. CLARK. Now, Brother Hill's question was, whether really the beneficiaries of this tariff of $2 were not the stumpage men. You said yes, largely.

Mr. WHITE. Yes.

Mr. CLARK. I ask you the question if they do not need protection less than nearly anybody else in America.

Mr. WHITE. I have to pay pretty high for stumpage. I will admit that I would like to get it lower.

Mr. CLARK. Why, certainly you would.

Mr. WHITE. I would. If there was some way of getting it lower, and then I could sell my product a little higher, I would be very glad to do it.

Mr. CLARK. But if you could get it lower you would be perfectly willing to sell your product a little lower?

Mr. WHITE. I would want everything else lower. I would want the entire cost of production lower.

Mr. CLARK. You are like everybody else; you want everything you can get.

Mr. WHITE. Certainly; and then I would want equal conditions with my competitors.

Mr. CLARK. Let us suppose a case. I do not think it is going to happen at all, but suppose that the committee and Congress—we simply advise Congress—should cut down the tariff one-half on every one of these articles you use in the manufacture of lumber, could you not afford to put down the price of lumber a little?

Mr. WHITE. I could not, a bit. I do not think so, because I will tell you that last year, in 1907, which was the most prosperous year we have had, yellow-pine lumber averaged $14.02 a thousand. Last May I had a fire at one of the mills I am interested in in Louisiana, and it burned up 6,000,000 feet of lumber, a large amount of it upper grades that was in the shed, and burned up some of my lower grades, and we sent for the insurance adjusters. The insurance adjusters, three of them, came down there and they said, "Mr. White, we want to settle with you. What is the cost of this lumber? Now, what is the cost? Figure it up. What did your stumpage cost you, and what did it cost to manufacture? We are going to settle upon the cost." I said, "No; I thought you were going to settle upon the market price.

Digitized by Google

As a matter of principle, I am going to insist that you settle on the market price, but I believe that if you pay me cost there will not be very much difference." We sat down and figured it out both ways, and the insurance adjusters paid us for our loss, and there was only a few dollars difference between the cost and the market price last May.

Mr. CLARK. You could outfigure them.

Mr. WHITE. A man that can outfigure an insurance man is a good one.

Mr. CLARK. I know he is. That is true.

The CHAIRMAN. How much was the drop in price of that lumber?

Mr. WHITE. The drop, I think, has been about $4 a thousand—it had dropped down clear to cost.

The CHAIRMAN. What was the price before the drop?

Mr. WHITE. Why, I think that we got at one time last summer about $16. The uppers dropped about $4, and I think that the lower grades dropped something like $3. At any rate, with our kind of lumber that runs, say, 20 per cent uppers or 25 per cent uppers, the actual cost of the lumber was about $13, and they paid us $13 on our loss, and the market was about $13, or a few cents over.

The CHAIRMAN. You say you made money in 1907.

Mr. WHITE. Nineteen hundred and seven was a good year.

The CHAIRMAN. And you had previous to that, how many years, made money?

Mr. WHITE. Lumber began to go up a little in 1897, and we had about ten years of very prosperous times. I think that the Dingley tariff bill went into effect in July, 1897.

The CHAIRMAN. And since 1907 there has been a general disturbance of business and a poor market?

Mr. WHITE. Yes; that is right.

The CHAIRMAN. People did not build, and could not build?

Mr. WHITE. Yes.

The CHAIRMAN. Lumber was a glut in the market?

Mr. WHITE. Yes.

The CHAIRMAN. It went down below the normal price?

Mr. WHITE. Yes.

The CHAIRMAN. That is all.

Mr. FORDNEY. The gentleman from Missouri asked you a little while ago if the tariff on lumber was cut in two what would be the result. There would be one of two things happen if the tariff or duty on lumber was cut in two; it would either seriously interfere with the revenues of the Government, or it would increase imports, would it not?

Mr. WHITE. Certainly.

Mr. FORDNEY. Neither of which is desirable in the United States?

Mr. WHITE. That is right.

Mr. FORDNEY. You spoke of the high rate of duty which you pay on articles that you use that go into the production of lumber.

Mr. WHITE. Yes.

Mr. FORDNEY. What is the rate of protection, ad valorem, on your product compared with those things that you purchase?

Mr. WHITE. About 11 per cent, as against 40 per cent.

Mr. FORDNEY. I will give you the figures here, and I would like to have this go in the record.

Digitized by Google

Mr. WHITE. Yes.

Mr. FORDNEY. The government reports for the last five years show on imported lumber the rate is 13.02 cents protection, based on the value of the lumber when imported.

Mr. WHITE. I did not know about that.

Mr. FORDNEY. Do you know of any other product in the United States that has as little protection as lumber?

Mr. WHITE. I do not, sir.

Mr. FORDNEY. Or any product which has anywhere near as small protection?

Mr. WHITE. No, sir.

The CHAIRMAN. Do you know of any that needs as little?

Mr. WHITE. I really think that the lumber manufacturer as a manufacturer has made less money than the manufacturer in the United States of almost any other article.

The CHAIRMAN. You spoke about the tariff on machinery that you use to make lumber in this country.

Mr. WHITE. Yes.

The CHAIRMAN. The Canadian manufacturer buys the same machinery from this country, does he not?

Mr. WHITE. Not always, I think.

The CHAIRMAN. As a general rule?

Mr. WHITE. I think that he buys the best machinery, and he gets it here, some of it, of course.

The CHAIRMAN. He buys it generally from this country, does he not?

Mr. WHITE. I expect he buys his sawmills from this country.

The CHAIRMAN. What is that?

Mr. WHITE. His sawmills, I think, he buys from this country.

The CHAIRMAN. And he has to pay the tariff on that machinery to get it into Canada?

Mr. WHITE. Yes.

The CHAIRMAN. Do you know what per cent?

Mr. WHITE. I do not know what the per cent is.

The CHAIRMAN. He is not as well off in that respect as you are, is he?

Mr. WHITE. He is better off on the entire material that goes into the manufacture, the permanent manufacture.

The CHAIRMAN. Take sawmills. We will not go beyond that item on this question.

Mr. WHITE. In regard to the sawmill, I think that if the tariff was off he would get his raw material in Canada, of course he can get that in cheaper. But we have the skilled labor on this side, and I expect he would buy his mills here.

The CHAIRMAN. I do not know why, but I do not seem to make myself understood.

Mr. WHITE. Well, I beg your pardon.

The CHAIRMAN. You buy your sawmills in this country to manufacture here?

Mr. WHITE. Yes.

The CHAIRMAN. The Canadian buys his sawmills in this country and imports them into Canada?

Mr. WHITE. Yes.

The CHAIRMAN. And pays the duty on them?

Digitized by Google

Mr. WHITE. I do not know how much duty.

The CHAIRMAN. Well, he pays the duty, whatever it is?

Mr. WHITE. I expect so.

The CHAIRMAN. If he pays the duty, he is so much worse off than you are, as far as the sawmill case is concerned?

Mr. WHITE. Yes; I see. That is right.

Mr. FORDNEY. Do you know of any agricultural product the producer of which has as little protection to-day as the manufacturer of lumber has on his product?

Mr. WHITE. I do not, sir.

Mr. POU. Do you know whether the Canadian pays more or less than you do for the same things that you buy for manufacturing your product?

Mr. WHITE. I do not. The statistics are here, and I think they will be shown by others.

Mr. POU. On that proposition you can not answer?

Mr. WHITE. No, sir; I have never operated in Canada. I have confined my operations to American timber.

Mr. POU. I am not speaking of timber. You enumerated a lot of things there that you say you have to pay a tariff on.

Mr. WHITE. Yes, sir; that is right.

Mr. POU. Take the sawmills and sawmill supplies and machinery.

Mr. WHITE. Yes.

Mr. POU. Do you know whether the Canadian pays more or less than you do for the same things?

Mr. WHITE. I do not. I know that on a great deal of this that is imported, iron link chains and iron shoes and nails and spikes and things of that kind, he gets in his supplies free of duty from the other side.

Mr. POU. I am speaking of the Canadian manufacturer.

Mr. WHITE. Of the Canadian manufacturer? I do not know whether his duty is lower or higher than ours.

Mr. POU. I am not speaking of the duty; I am speaking of the price he has to pay.

Mr. WHITE. I do not know whether the price he has to pay is lower or higher.

Mr. POU. That is all.

The CHAIRMAN. Conclude your statement.

Mr. WHITE. In regard to oak lumber, some one was inquiring about oak furniture. You can buy any amount of oak lumber in the South at $2 stumpage, and oak lumber is as a drug. I am interested in three mills, two of which now are shut down because we can not sell our oak lumber.

The sawmill man has always followed the settlements and manufactured lumber for the country and the growing towns, while the farmers all around him were rolling their timber into log heaps and burning it to make way for fields of corn and meadows. Nearly all farmers made their own log buildings, and they even split their walnut into rails. I mention this because we are accused of destroying the forests; but the lumber manufacturer has always cut his top log when he could sell it and always cut just as much as he had a market for and as much as he could sell, and as a manufacturer he has just followed along the settlements and sold his lumber when he could sell it, so as to induce the consumer to buy it instead of putting

Digitized by Google

up log buildings, and when the railroads came along and went far into the interior and opened up the prairies of the West, then it occurred to some one that he could make some money by buying stumpage—buying fifteen or twenty years ahead as an investment—and they did so, and their money has been made off of the stumpage. The man that went along and simply bought his timber from day to day or from year to year did not make much money, as I have said before.

The pledge made in the Chicago convention on June 18th last, and since reiterated by President-elect Taft, for a revision of the tariff so as to impose such duties as shall equalize the cost of production at home and abroad, and provide a reasonable profit for American industries, especially recognizing the needs and welfare of wage-earners generally, holds no fears for the lumber manufacturer. The lumber industry can appeal to that pronouncement and indorse the sentiment, as will the hundreds of thousands of American laborers who form the great army of workers in lumber. If the entire protective policy of the United States were to be abandoned to free trade the lumbermen would have no argument to present, but since protection as well as revenue is to remain the basis of our system of imposts the lumber trade feels that its stand in behalf of at least the present rates of duty is impregnable to any attack.

The degree of protection to lumber is now far below the average as compared with other protected items in the tariff schedule. I think it is equivalent to not more than 11 per cent ad valorem on rough lumber, while the average on dutiable articles imported into this country, I am told, is about 40 per cent ad valorem. And if rates are to be reduced because some articles related to the development of manufacture and agriculture are now found to be too highly protected certainly lumber is not among them.

If it be the policy to readjust the rates relative to the needs of each industry, according to the declaration made in Chicago before referred to, so as to yield a reasonable profit to American producers, then might lumber well ask for a higher rate. Under no conceivable theory excepting that of free trade can the lumber tariff be lowered or removed.

I am told that the duties received from lumber imported from British North America into the United States during the last fiscal year were about $3,000,000 and were much lower than in previous years. The schedule of values of sawed imported lumber show that it is chiefly the lower grades of Canadian lumber that are exported to the United States.

This will be giving us more of these grades to consume, making it necessary for the American manufacturer to leave far more of his poorer grades to rot in the woods. To the Canadian, or to the American who owns stumpage in the British possessions in the Bahamas, or in Mexico, a reduction in the duty would be welcome, and in the same proportion it would be an injury to the American manufacturer and to the American workman. The upper grades of lumber take care of themselves, and find markets all over the world, and no revision of tariff is asked on their account, but the lower grades are found in the same tree, and are greatly in excess of the better grades, and the danger to be feared is the production of a surplus supply of lower grades. In the interest of forest conservation it is necessary to still

Digitized by Google

further increase the proportion of lower grades. This can not be done if more of these grades are to be dumped in upon us, as a result of tariff reduction.

I went over into Washington a few weeks ago and I saw 20 or 30 shingle mills at work. I drove 20 or 30 miles into the country, and I saw these mills working on the stumps of trees that had been cut, some of them, twenty years ago, and the shingles were all made by those mills from logs and stumps—down timber and stumps. There is a saving to this generation and to future generations if we can so conserve the waste that is going on and use it and let the standing timber grow. I think that the shingle manufacturer of the Pacific coast will naturally object to any system of reduction that will prevent his saving his own timber—the down timber and the stumps.

Mr. LONGWORTH. I would like to ask the exact technical definition of the word "stumpage."

Mr. WHITE. It means the amount of standing timber that will make a thousand feet of lumber. In regard to the present prices of lumber, the manufacturers do not know that I have this little slip, and I am going to leave it here as a part of my remarks. A retail manufacturer sent out an inquiry the other day for prices on lumber delivered on a 26½-cent rate, and 21 different mills, 16 different manufacturers in the United States who manufacture the same kind of lumber—yellow pine—replied, and I have the result here. They have all bid on that bill of lumber, and their bids run from $1 to $3.50 per thousand. This simply shows that there is not any agreement among lumber men.

	2 x 8" x 16', No. 2, S. and E.	1 x 10" x 14 to 16', No. 1, S. and L.	1 x 10" x 12', No. 1, S. and L.	1 x 8" x 10 to 12', No. 2, S. and L.	1 x 4" x 10 to 16', No. 1, com. fig.	1 x 4" x 14', No. 1, S. 2 S.	1 x 4" x 10', No. 1, S. 2 S.	1 x 8" x 14', No. 1, S. 2 S.	B. Casg.
Clark & Boice Lumber Co.	$15.50	$20.00	$20.50	$18.50	$18.50	$19.00	$19.00	$19.50	$32.00
Crescent Lumber Co.	15.00	21.00	21.50	18.50	19.50	18.75	18.75	20.00	31.25
Exchange	16.50	21.00	21.50	18.50	19.00	19.25	19.25	20.50	34.25
Central Coal and Coke Co.	15.50	21.50	22.00	18.00	19.75	19.75	19.75	20.50	31.75
Buchanan	17.00	23.00	23.75	19.00	22.00	20.75	20.75	22.00	34.75
Bowman-Hicks	15.50	21.50	22.00	18.75	20.25	19.75	19.25	20.50	31.25
Ingham Lumber Co.	15.00	21.00	21.50	18.00	19.75	19.25	19.25	20.00	32.00
C. J. Carter Lumber Co.	16.75	21.75	22.25	18.75	20.75	20.00	20.00	21.25	35.50
Sabine Lumber Co.	15.50	21.00	21.50	18.00	20.00	19.75	19.75	20.50	32.25
Carlisle-Pennell Lumber Co.	17.50	21.00	21.50	18.50	19.75	18.75	18.75	20.50	32.00
Gates Lumber Co.	16.25	21.50	22.25	19.25	21.75	20.50	20.50	20.50	32.25
Colonial Lumber and Timber Co.	16.50	21.00	21.00	18.50	20.00	19.00	19.00	20.50	31.00
W. T. Ferguson Lumber Co.	19.00	23.00	23.75	18.50	20.25	20.75	20.75	22.00	34.75
Frost-Johnson Lumber Co.	17.50	23.00	23.50	20.00	22.75	20.25	20.25	22.00	33.25
Monarch Lumber Co.	16.00	21.00	21.50	18.00	21.75	19.25	19.25	20.50	32.00
Ferguson-McDavis Lumber Co.	16.00	21.00	21.50	18.00	20.50	19.50	19.50	20.00	32.00
Hogg-Horris Lumber Co.	16.00	21.50	22.00	19.00	20.75	20.00	20.00	20.00	33.00
Miles Timber and Lumber Co.	18.00	21.50	22.00	19.00	19.00	19.00	19.00	20.50	34.25
Long-Bell Lumber Co.	15.75	21.00	21.50	18.00	20.00	19.25	20.00	--------	32.25
Pickering Lumber Co.	15.75	20.75	21.25	19.25	20.50	19.00	21.25	--------	32.50
Kirby Lumber Co.	17.25	22.75	23.25	20.25	22.75	20.75	21.75	--------	37.50

Mr. FORDNEY. You do not know of any trust?

Mr. WHITE. I do not know of any trust, and the manufacturers when they see that, if they do see that in print, will be surprised, because it was a retail dealer that sent this out, and it shows the great variation of prices.

Digitized by Google

Mr. POU. Did he send it out for the purpose of getting the information to use in this inquiry?

Mr. WHITE. No, sir; he did not. He is interested, I think, a little more on the other side. He has been over there all summer, and he has some retail yards, and he wanted to buy this lumber, and he is interested in a mill that I am interested in, and so he gave this to me. He said: "Just look here; just see what a difference there is. I do not want my name used, and I am just going to cut my letter head off, but you can see what a difference there is on the 26½ cent rate on the same kind of lumber."

In regard to laths, Mr. Clark called attention to that. I want to say something about the cost of laths and the present market price up in Mr. Clark's district to the retailer. The present price of laths delivered in Mr. Clark's district, in that part of Missouri and all up in the northern part of the State, is $3.05 a thousand, 10 bundles, and it costs $1.40 a thousand to manufacture those laths and put them on the cars. The freight on those laths is just $1.15 a thousand. One dollar and fifteen cents and $1.40 would make $2.55. The difference between $2.55 and $3.05 leaves just 50 cents. There is just 50 cents profit on those laths.

Mr. CLARK. Fifty cents profit to the wholesaler?

Mr. WHITE. Fifty cents profit to the wholesaler provided he does not ask anything for his timber.

Mr. CLARK. Provided he does not ask anything for his timber?

Mr. WHITE. Yes.

Mr. CLARK. You do not mean to say that the timber in a thousand laths would cost anybody a dollar and forty cents, do you?

Mr. WHITE. I mean to say that it costs a dollar and forty cents a thousand to manufacture them.

Mr. CLARK. Why, certainly; counting the cost of the timber in.

Mr. WHITE. No, sir; the cost of manufacturing them, tying them into bundles, running them through your dry kiln and drying them, and loading them on the cars, is a dollar and forty cents.

Mr. CLARK. For a thousand laths.

Mr. WHITE. Yes, sir; for a thousand laths.

Mr. CLARK. And the retailer got $2.95?

Mr. WHITE. Yes.

Mr. CLARK. That was his rake-off?

Mr. WHITE. Yes; I would not wonder.

Mr. CLARK. Is there not any way on the face of the earth, somewhere between the fellow that owns the stump and the man that buys it at last, that somebody will not gouge him somewhere along the road?

Mr. WHITE. The retail man is generally your neighbor.

Mr. CLARK. Yes.

Mr. WHITE. He lives right in your town, and you will have to deal with him.

Mr. CLARK. That is what I will do. [Laughter.] Now, I want to ask you two or three questions. Mr. Fordney asked you if all other agricultural products were not protected more than lumber. If a man ten years ago paid $7.50—that is the highest figure I have heard named here to-day—for an acre of stumpage, and for any reason, it does not make any difference what, the value of that acre has gone up to $30 or $40, do you think that the tariff ought to be

Digitized by Google

held up so high as to enable him to sell that stumpage at this price that is coming to him in these years?

Mr. WHITE. As long as we permit the farmer to buy his land at $1.25 an acre—his wheat land—and there is a tariff on wheat, and he sells that land for $50 an acre in the same time that lumber has been increasing in, I think it is as fair for the lumberman as it is for the farmer.

Mr. CLARK. He does not get any more for his wheat when the land is $50 an acre than when it is $1.25 an acre.

Mr. WHITE. He has got to be governed by the market.

Mr. CLARK. Yes. You and I are both Missourians, and both, I think, interested in the State.

Mr. WHITE. That is right.

Mr. CLARK. It does not make any difference how much we differ about politics.

Mr. WHITE. No.

Mr. CLARK. You put in your list of expenses that you made up of what you had to pay in making lumber the tariff on mules over a certain value.

Mr. WHITE. Yes.

Mr. CLARK. The tariff on mules does not keep Mexican mules and scrub mules from competing with Missouri mules, does it?

Mr. WHITE. I do not know. There are a great many mules raised in Missouri. That is a mule State.

Mr. CLARK. Yes; the best mule State in the Union.

Mr. WHITE. Yes.

Mr. CLARK. You would not have a pair of these Mexican mules to use in your lumber business if they would make you a present of them, would you? You could not afford to use them.

Mr WHITE. I would rather have Missouri mules.

Mr. CLARK. One pair of Missouri mules would be worth six pairs of Mexican mules.

Mr. WHITE. Yes; but Missouri can not furnish all the mules.

Mr. CLARK. No; but they raise mules also in Tennessee and several other States.

Mr. WHITE. Yes; but they have the smaller grades of mules, and they will do in logging and they use them a great deal.

Mr. CLARK. Yes; but the reason I asked you that was because you put that in as a part of your expenses, as an excuse—I do not mean it offensively—for putting up the price of lumber.

Mr. WHITE. No; I gave you part of that as the cost of lumber. I do not know how much of that goes into the cost of lumber, but I say this: If we are going to give the farmer his lumber free of duty he must give us the same conditions that prevail on the other side, where we compete, and take off the duty on these other articles.

Mr. CLARK. Well, I took the mule feature of it as a glaring feature. If there was absolute free trade in mules the mules raised in Mexico or anywhere else could not compete with the best American mules.

Mr. WHITE. No.

Mr. CLARK. They are the best kind of mules.

Mr. WHITE. Yes; but they raise mules in other places. Now, as to the cost of the lumber to the farmer, the other side in presenting their case, I think, showed that they were very much in doubt as to whether there would be any lowering of the prices.

Digitized by Google

Mr. CLARK. You are not in doubt about it, are you?

Mr. WHITE. I believe this: That it would lower prices and we would have to cut down some on expenses if we ran our mills.

Mr. CLARK. You would cut down on stumpage, at least, would you not?

Mr. WHITE. I do not control the stumpage. The other fellow controls the stumpage.

Mr. CLARK. I know; but if the stumpage men can not sell their logs they are out.

Mr. WHITE. I do not know. They may hold it for future generations. You could not make them sell their stumpage.

Mr. CLARK. You say in days gone by, when you and I were boys in the tobacco belt, they cut up this fine timber and burned it, and made rails out of walnut trees, and all that kind of thing. That is true. I have been engaged in that kind of business, when I was a boy, myself.

Mr. WHITE. Yes.

Mr. CLARK. Now, because these people wasted the timber when there seemed to be no end to the timber, that is no reason why we should go on wasting what little we have left?

Mr. WHITE. No, sir; and that is the reason I am in favor of a tariff that will protect the timber; so that I can pick up the last log in the woods and bring it in and manufacture it into something that will pay the cost.

Mr. CLARK. And how about Mr. Gifford Pinchot and the President and all these statesmen who are talking so much about preserving our forests?

Mr. WHITE. They have not heard me talk. [Laughter.] I have the honor of being on that forest conservation committee.

Mr. CLARK. So am I.

Mr. WHITE. You and I will get together and we will try to convert each other.

Mr. POU. You read a while ago the platform of the Republican party on the question of the revision of the tariff. What is your construction of that, that that pledge is to revise the tariff upward or downward?

Mr. WHITE. I think the intention is to revise it in accordance with just the way it reads. I read it just as they put it. I do not know. I think they were simply to guarantee a fair profit to manufacturers.

Mr. POU. Revision means some change?

Mr. WHITE. Some change. It means an equitable change, so that it will insure a fair, reasonable profit to the manufacturer.

Mr. POU. I would like for you to indicate one schedule which in your opinion can be revised by reducing it downward? I want to hear somebody come in here and tell us something that there can be a little reduction in.

Mr. WHITE. Of course I would say at once I would like to have leather reduced, because leather belting costs us a great deal. We are paying at every mill we have $2,000 a year now to keep up our belting. I would like to have that reduced. I could go over the schedule and I could reduce a whole lot of things.

Mr. POU. I would like to hear you name those things, if you do not object.

Digitized by Google

Mr. WHITE. I do not know what a horizontal reduction would mean, but I would like to see a great many things that I use reduced, of course. That would be a selfish proposition.

Mr. POU. That is what I am trying to get at.

Mr. WHITE. It would be a selfish proposition.

Mr. POU. One of them would be leather?

Mr. WHITE. Yes, sir.

Mr. POU. What other thing do you think can be reasonably reduced?

Mr. WHITE. I expect lath yarn, and wire rope, and everything of that kind. I am not in favor of tampering with the tariff.

Mr. POU. But the pledge is already made that it must be tampered with, in some way

Mr. WHITE. Yes. Before I could pass on what would be just to the manufacturers of this country, I would want to see their pay rolls, to see their cost and how much they paid their labor, and what their raw material cost them, and how much capital they had invested. I might do injustice to a man if I said that I wanted to have the duty taken off of sisal lath yarn, or rope, or any other article here. I would want to examine into his business before I could say. And you gentlemen are going to do that. You are going to summon those men here before you, just as you have summoned us.

Mr. POU. That is what I want to get at. Almost everybody who has been in here seems to be in favor of reducing this thing upward, and I wanted to get at your view of some articles that could be reduced downward.

Mr. WHITE. I do not know. I have not looked that matter over. I have not examined into other lines. I have been looking at the lumber business, and I presume there are a great many lumbermen here who feel, conscientiously feel, that they ought to have a higher tariff on some articles. But I am not asking it. I am willing to get through this period of hard times that we have had for the past year and start in anew without embarrassing ourselves any further, without any further consideration of the tariff. This is a very inopportune time to take up this revision, with industries almost prostrated by the panic which we have had in the past year. I think if we are going to consider a reduction of the tariff, or its revision, it would come better at some other period of our history.

Mr. RANDELL. You are not in favor of the Republican platform in that plank, then?

Mr. WHITE. I am in favor of you gentlemen getting together according to that plank and examining into the profits, and if you find that any manufacturer is making, by reason of the tariff, more profit than he is reasonably entitled to, cutting it down; and if it strikes lumber, I am willing to cut it down.

Mr. RANDELL. If we let the tariff stay as it is, will there be any difference, in your opinion, in the price of the lumber to the consumers on the plains in the West, as, for instance, in Texas, Oklahoma, and Kansas? Will there be any difference in the price from what there would be if the tariff was left as it is, and if so, what difference?

Mr. WHITE. I will say this. Now, if there is to be a reduction in the tariff, and a reduction in the price of lumber at the mills for a

Digitized by Google

considerable period of time, there will be relief felt, of course, on the prairies and elsewhere by the consumer, providing it is true that Canadian lumber is going to be put in here cheaper than we are now manufacturing lumber; but it is not going to be felt directly.

Mr. RANDELL. Then, if that is the case, the consumer there will get some benefit in the price?

Mr. WHITE. He will in time.

Mr. RANDELL. If that is not the case, then the lumber producer, the lumber dealer, would not lose anything; is that correct?

Mr. WHITE. Yes. I do not imagine that that $2 is all going to the consumer.

Mr. RANDELL. I did not ask you that. I asked you if it would benefit him or not.

Mr. WHITE. It may benefit him some; I expect it will; I expect that it will be divided up along the line, and he will get a little of it.

Mr. RANDELL. I will ask you this: Has he not been getting the worst of it very much in the last seven, eight, or ten years in the price of lumber? You speak about a square deal. Answer this question: Has he been getting a square deal on the price of lumber—the builder in the plains of Texas?

Mr. WHITE. I do not understand you.

Mr. RANDELL. I will make myself understood, then.

Mr. WHITE. Yes.

Mr. RANDELL. Has he been getting his lumber at a proper price on the basis of a square deal, the basis you want to operate on?

Mr. WHITE. I will answer you in this way: I think he has been getting it on the basis of a square deal, unless he has been imposed upon by the retail lumber man. Now, even if he paid that whole $2, even if he had done that, which he has not, and never will, that would not amount on 30,000 feet of lumber, which is the amount that would go into an average house, to but $60, and he does not build but one house in a lifetime.

Mr. RANDELL. It would not hurt the lumberman, then, to knock the tariff off? If it would not help the consumer it would not hurt the lumberman, would it?

Mr. WHITE. The retail dealer, you mean? It would not hurt the retailer any. It is the manufacturer it would hurt.

Mr. RANDELL. Would it not hit the stumpage?

Mr. WHITE. I think it would.

Mr. RANDELL. The monopoly in reference to lumber is principally on the stumpage?

Mr. WHITE. I do not believe it is a monopoly.

Mr. RANDELL. Is it not in the hands of a very few men, and are they not mostly wealthy men and corporations?

Mr. WHITE. I think there are a very few wealthy men and corporations. It seems that there are a great many of them, because they are in the limelight, but it is something that is being held by the farmers all over the country. I am buying stumpage of the farmers now.

Mr. RANDELL. Have not the farmers got the stumps and you have got the lumber.

Mr. WHITE. They have got the stumpage. I am buying now in Louisiana and in the northern part of the State of Missouri. In Shannon County I bought 5,000 acres this past year, right in Shannon County, and 25,000 acres in the past five years.

Digitized by Google

Mr. UNDERWOOD. What is a square deal? When we strike a duty here which is practically prohibitive, and no competition can come in from abroad and no revenue is derived by the Government, do you think that is an indication that that duty is too high—that it needs adjustment downward?

Mr. WHITE. If you are in for a tariff for revenue, of course a prohibitive tariff may be too high; but sometimes you may get things cheaper under a prohibitive tariff, by home competition.

Mr. UNDERWOOD. Possibly by keeping on for a great number of years you may build up; but take the consumer of to-day, and not waiting for the years to come to work out the problem, do you not think it is a matter of a square deal when you strike a tariff duty that is prohibitive and allowing no goods to come in whatever, and the Government is deriving no revenue, to adjust that downward? Do you not think that is the place to readjust downward?

Mr. WHITE. I would not favor a prohibitive tariff. We have not had one in regard to lumber. That has been a low one.

Mr. UNDERWOOD. I am not speaking in regard to lumber. That is not prohibitive.

Mr. WHITE. No.

Mr. CLARK. In regard to that belting; you would like to have cheaper belts?

Mr. WHITE. Yes. I use a good many of them.

Mr. CLARK. The New England brethren want the tariff taken off of hides.

Mr. WHITE. Yes.

Mr. CLARK. But they have not so far been willing to agree to take it off your belting and shoes and boots and harness.

Mr. WHITE. No.

Mr. CLARK. Do you believe they could be induced to agree to put down not only the price of your belting, but of shoes and boots and harness, and everything that you use?

Mr. WHITE. You will have to labor with those fellows.

Mr. CLARK. I have been laboring with them for a long time.

The CHAIRMAN. You said you needed protection in the lower grades, the lowest grades, of lumber?

Mr. WHITE. Yes.

The CHAIRMAN. At what price are the lower grades imported, per thousand?

Mr. WHITE. I do not know that we have been suffering in our markets from the lower grades from Canada, but if the $2 was taken off, I think we would suffer from those lower grades. That is the reason they want the duty off.

The CHAIRMAN. Is any of the lower grades imported now?

Mr. WHITE. I think that what is brought in here is chiefly lower grades.

The CHAIRMAN. What is the price in this country of the low grades we would get?

Mr. WHITE. No. 2 common?

The CHAIRMAN. And No. 3 common?

Mr. WHITE. No. 3 common is about $6 at our mill. No. 2 common is about $8 at our mills, and it is costing us more to manufacture it now. We are not making any money on those grades.

Digitized by Google

The CHAIRMAN. So that the ad valorem duty would be 30 or 40 per cent?

Mr. WHITE. Yes. It is a plain proposition. I think you will find that you do not want to let that cheap lumber come into this country.

The CHAIRMAN. It is 30 or 40 per cent?

Mr. WHITE. The freight is in their favor. It costs us 34 cents a hundred to get our lumber up to Canada or into Buffalo, and they will get it into Buffalo for 5 cents.

The CHAIRMAN. Of course they will from some points. Go a little further. As to the duty paid on machinery, the Canadian duty on sawmills and things of that kind is 30 per cent on sawmills built in this country. Of course, I do not agree with that theory, that whenever there is a tariff on an article the whole tariff is added to the price.

Mr. WHITE. I do not claim that, but a very considerable portion of it often is.

The CHAIRMAN. Sometimes none of it is added, where there is a great deal of competition.

Mr. WHITE. The whole of the tariff on steel wires is not added.

The CHAIRMAN. Do not let us go off onto steel wires. We want to get through with the lumber schedule.

Mr. WHITE. Yes.

The CHAIRMAN. As to sawmills, there are no factories making that machinery?

Mr. WHITE. Yes.

The CHAIRMAN. And there is competition there?

Mr. WHITE. Yes.

The CHAIRMAN. And a low price, comparatively?

Mr. WHITE. Yes.

The CHAIRMAN. So that it is a question whether any of that would be added to the price, or if any, a very small part of it?

Mr. WHITE. Yes.

The CHAIRMAN. The machinery being made in this country and exported into Canada, then, is subject to the 30 per cent duty, with no competition in Canada?

Mr. WHITE. Yes.

The CHAIRMAN. So that they would be at a great disadvantage for that part of their machinery?

Mr. WHITE. Yes; I expect that is true.

The CHAIRMAN. As to railway equipment, and that is used largely, the duty on that is 35 per cent in Canada?

Mr. WHITE. Yes.

The CHAIRMAN. And of course they have a disadvantage there, having no manufacture of that class of machinery there, have they not?

Mr. WHITE. In England they manufacture and bring it over into Canada.

The CHAIRMAN. Yes; in England, but they seem to import that machinery from the United States, and if they manufacture and bring from England they pay a duty on that. Somebody pays a duty when it is brought from England.

Mr. WHITE. I do not know what the duty is between Canada and England.

Mr. HILL. It is 20 per cent.

Digitized by Google

The CHAIRMAN. Twenty per cent reduction of duty, so that instead of 35 per cent it would be 28 per cent. There would not be much choice. Now, those things would help to make up for the freight to Buffalo, would they not?

Mr. WHITE. Yes; they would help.

The CHAIRMAN. You speak about pay rolls. I am glad you mentioned that. We are glad to look at pay rolls, and if you will commence right here and send your pay rolls, say one for each year for the last three years, for the inspection of the committee, or make a copy if you do not want to send the originals, and send us a copy, we will accept those copies and take your word for it that you have made an honest copy, if you do not want to send the originals.

Mr. WHITE. I will do it.

The CHAIRMAN. And if you will send the figures as to the different classes of laborers, we will take your word for that.

Mr. WHITE. We are proud of our pay rolls in Missouri.

The CHAIRMAN. This schedule is the only one appearing now, and the question is whether there shall be a reduction on this schedule. The other schedules will be taken up, and there will be questions on the other schedules, but we want to get the information more than anything else. That is all.

Mr. FORDNEY. Going back to laths, you spoke of the price which they sold for in our friend's district, $3.05, leaving a profit for stumpage to the manufacturer of 50 cents a thousand.

Mr. WHITE. Not a profit; no. I beg your pardon.

Mr. FORDNEY. No; but stumpage. Just answer as to stumpage. It was $2.50 a thousand for stumpage for the timber in the laths?

Mr. WHITE. Yes.

Mr. FORDNEY. The price of stumpage in Louisiana to-day is far above that?

Mr. WHITE. Yes.

Mr. FORDNEY. Further, the gentleman asked you about the reduction of cost?

Mr. WHITE. Yes.

Mr. FORDNEY. In case of low prices, you said you would have to curtail expenses or cost of production?

Mr. WHITE. Yes.

Mr. FORDNEY. Is it not true that you would commence with labor first of all, because labor more largely enters into the cost of a product than any other one thing?

Mr. WHITE. Yes; we should have to. We would hate to do it, but we would have to do it.

Mr. FORDNEY. That is right; the labor enters more largely into the cost than anything else?

Mr. WHITE. Yes; 80 per cent of it is labor.

Mr. FORDNEY. A gentleman asked you whether or not the consumption of lumber would be greater when the price was low than when it is high. Compared with agricultural products in 1896, is it not true that the average American is consuming more wheat today at the high price that it brings than he did in 1896, when it was 50 cents a bushel?

Mr. WHITE. I have understood that that is true.

Mr. FORDNEY. Then what is true of those articles is quite likely true of every other article produced in the country.

Digitized by Google

Mr. WHITE. Yes, sir.

The CHAIRMAN. It depends upon the prosperity of the people, does it not?

Mr. WHITE. Yes, sir; it depends upon the prosperity of the people.

Mr. FORDNEY. Is it not true that we are far more prosperous under a high protective tariff than we ever were under a low tariff?

Mr. WHITE. Yes, sir; I think that is true.

Mr. HILL. In buying stumpage, did you ever figure on the quantity of laths you would get out of it, or did you not buy stumpage on the basis of the lumber you cut from the logs, and were not the laths made entirely from the wastage in making the lumber?

Mr. WHITE. Yes, sir.

Mr. HILL. Then lath is a by-product entirely?

Mr. WHITE. Yes, sir; but that 50 cents, however, is not net profit. You charge use of your mill, as you have got it there, and your machinery and expense of depreciation.

Mr. HILL. Yes; but it is practically a surplus product, over and above the merchantable lumber in the logs?

Mr. WHITE. Yes; unless you can get 50 cents out of it you are not making any money.

Mr. CLARK. Do you know how it figures out that if a thing is shipped into Canada the Canadian tariff is added to the price, but if it is shipped from Canada into the United States or from anywhere else into the United States our tariff is not added to the price? What is the reason that that thing does not work both ways, going and coming?

Mr. WHITE. I do not know that I understand you.

The CHAIRMAN. It depends on the competition, does it not?

Mr. CLARK. No; it depends on whose ox is gored.

The CHAIRMAN. It depends on whose ox is gored, exactly. That is the difficulty with the gentleman from Missouri.

Mr. CLARK. It was mentioned that when these sawmills were shipped into Canada they would have to add 35 per cent of Canadian duty to the price of the sawmill, and therefore the American sawmill man had that much advantage over the Canadian sawmill man?

Mr. WHITE. Yes, sir.

Mr. CLARK. I ask you if the Canadian tariff is added to our articles when we ship them into Canada, how do you figure it out that the American tariff is not added to the foreign articles when they are shipped into America?

Mr. WHITE. The sawmill is a very small proportion of the expense.

Mr. CLARK. I took the sawmill as an illustration of the whole thing.

Mr. WHITE. Yes; it happens to be made more largely in the United States.

Mr. RANDELL. You say with the tariff off the danger would be of the importation of low-grade lumber?

Mr. WHITE. Yes.

Mr. RANDELL. Is not that the kind of lumber that is principally used in improving the farms on the plains of the West?

Mr. WHITE. It is largely cheap lumber; but we have not got a market for all of it now.

Mr. BOUTELL. I wanted to refer again to Mr. Clark's experience with these laths, because it is interesting as typical of the complaint

Digitized by Google

which is made by all the producers of lumber who do complain. I understand that you sell to the retailer in his district at $3.55?

Mr. WHITE. I think it was $3.05 for laths, now, in his district.

Mr. BOUTELL. Three dollars and five cents?

Mr. WHITE. Yes.

Mr. BOUTELL. And out of that you get what?

Mr. WHITE. Fifty cents.

Mr. BOUTELL. Without pretending to say what a fair profit is for a retailer, if we allow for the retailer the same profit as the manufacturer gets, we would have the retailer making 50 cents a thousand if he sold those laths at $3.55 a thousand?

Mr. WHITE. Yes.

Mr. BOUTELL. Then when Mr. Clark paid $6 a thousand, he was paying to the retailer $2.45 excess profit?

Mr. WHITE. Yes.

Mr. BOUTELL. Over and above the 50 cents?

Mr. WHITE. Mr. Clark bought those laths at a time when laths went up. There was a time when we asked, delivered at that point, $4.50. I think there was about six months when you could not get a lath in white pine, you could not get a lath anywhere on the Mississippi River, and there was just a boom for laths, and they went up to that price. I think $4.50 was what we got for laths for about six months.

Mr. CLARK. That was in June and July of 1907.

Mr. WHITE. That is right; that was the time when laths were up.

Mr. BOUTELL. Very well; if you were selling them then at $4.50 to the retailer at a 50 cent profit, and we allowed him 50 cents profit, that would be $5, while the retailer would be getting a dollar a thousand profit over and above the profit which the wholesaler made?

Mr. WHITE. Yes, sir.

Mr. BOUTELL. In other words, if this is typical of the experience of men who are buying lumber at retail, then the high price is not due either to the tariff or to a lumber trust—that excess $1. That was simply due to the retailer getting all he could get out of it?

Mr. WHITE. Yes; that was it. It was a local condition.

Mr. BOUTELL. Another thing. You spoke of a small house, and the amount of saving to be made in the building of a house, provided the whole $2 could be carried forward to the farmer who built the house?

Mr. WHITE. Yes.

Mr. BOUTELL. That would be allowing about 30,000 square feet for a house?

Mr. WHITE. Yes; 25,000 to 30,000 feet of lumber in a house that would cost $2,000.

Mr. BOUTELL. That would be a good five or six room cottage?

Mr. WHITE. Yes.

Mr. BOUTELL. And if the duty were repealed and we could carry forward to the ultimate consumer the difference would be $60?

Mr. WHITE. Yes.

Mr. BOUTELL. If we should suppose that in the ordinary channels of commerce half of it went to him, that would be $30?

Mr. WHITE. Yes.

Mr. BOUTELL. That the farmer in Mr. Randell's district or the mechanic in my district could save on the building of a house $30?

Mr. WHITE. Yes.

Digitized by Google

Mr. CLARK. A difference of $60 would make a considerable difference in the number of houses built in the United States, would it not?

Mr. WHITE. It would depend on what the farmer was getting for wheat.

Mr. CLARK. I am not talking about the farmer, but about the man that builds the house.

Mr. WHITE. It has not proved so in my experience. When things are high there is more building going on; the country is more prosperous. If you put lumber clear down you do not increase the consumption.

Mr. CLARK. Suppose everything else was left as it is; let us take the extreme illustration, and you cut down lumber so that it reduces the price of an ordinary house of five or six rooms $60, will not that increase largely the number of houses to be built in the United States?

Mr. WHITE. If everything else in the country is prosperous, it might have that influence; but when a man gets ready to build a house he builds a house, and he does not let $50 stop him.

Mr. CLARK. Yes; you and I would; but there are thousands of people that count every cent that goes into a house before they start building.

Mr. WHITE. If there was going to be a horizontal reduction, and everything taken off, I do not think we would have anything to complain of.

Mr. CLARK. What do you want to substitute a tariff commission for the Ways and Means Committee for? Just give us a plain, candid answer.

Mr. WHITE. I just have so much confidence in you gentlemen that I just wish you could fix it and not call on us fellows at all. I think if you investigated, as you are now doing, we could rely on your judgment entirely.

Mr. CLARK. We are much obliged to you.

EDWARD HINES, OF CHICAGO, REPRESENTING THE EDWARD HINES LUMBER COMPANY, APPEARS IN THE INTEREST OF CONTINUED PROTECTION FOR LUMBER.

FRIDAY, *November 20, 1908.*

Mr. HINES. Mr. Chairman and gentlemen, I am appearing before you in rather a dual position, directly representing several phases of the lumber business. In the first place, our company is largely a buyer in the lumber jobbing business, our main yards being located in Chicago. We have purchased lumber in Canada, in the Georgian Bay district, from the Soo to Owen Sound, large quantities of lumber, during the period of the duty of $1 per thousand, during the period when the duty was entirely taken off, and later when the duty was made $2 a thousand. The Georgian Bay district has a peculiarly advantageous position, owing to the rivers entering the bay at a number of points, so that the logs are very cheaply transported to the mills. The mills are all located on the bay, directly accessible by the cheap water transportation to the great distributing points of Tonawanda and Buffalo, N. Y.; Cleveland and Toledo, Ohio; Detroit and Saginaw, Mich.; Chicago, Ill.; and Milwaukee, Wis., the great gate-

Digitized by Google

ways for shipping to the immense consuming districts of New York, Pennsylvania, Ohio, Indiana, and the Middle West. Lumber can be transported to these gateways at an average of $1.75 per thousand. These places, besides being great distributing railway shipping points, are directly the largest consuming cities of lumber in this country, both in the building line and the cutting up into the various factory lines for boxing and crating material. This territory comes in direct competition with the hemlock from Pennsylvania and Michigan and Wisconsin, and with the various woods, like yellow pine, poplar, and gum, from south of the Ohio River, subject to transportation charges alone of from $5 to $10 per thousand, as against $1.75 from Canada.

Mr. UNDERWOOD. Subject to how much?

Mr. HINES. Subject to a difference in favor of Canada of $1.75 by water as against $5 to $10 per thousand, probably a maximum of $10 per thousand, by rail in this country. By actual experience and statistics the importation of lumber from Canada in both volume and value per thousand feet has increased most extensively. In 1898 the United States imported from Canada 353,000,000 feet, valued at $9.91 a thousand feet. In 1907 there was imported practically three times that amount, or 924,000,000 feet, at about 100 per cent increase in value per thousand feet.

Mr. HILL. In making your comparison between $1.75 freight by water from Canada and the $10 rate by rail transportation in the United States, you are making the comparison between two different kinds of lumber, are you not—yellow pine, and white pine from Canada?

Mr. HINES. No, sir.

Mr. HILL. Where do you get your white pine in the United States at $10 a thousand?

Mr. HINES. We are manufacturing at four large mills—at Ashland, Wis.; at Iron River, Wis.; at Mason, Wis; and at Hayward, Wis.

Mr. HILL. That does not cost any $10 a thousand, does it?

Mr. HINES. I said from $5 to $10 a thousand. To put the lumber from Hayward, Wis., to Buffalo, N. Y., by rail, rough lumber, costs about $7 per thousand. To Detroit it costs about $6.50 per thousand.

Mr. HILL. By rail?

Mr. HINES. Yes, sir.

Mr. HILL. Why do you not put it there by water?

Mr. HINES. Those points are located away from the Lakes. To put it there by water you would be obliged to ship first to the lake ports and pay a rail rate, then an unloading charge, then a reloading charge, and then a water-transportation charge, making it almost the same.

Mr. HILL. In one case lumber from Canada is in the rough and in the other case it is delivered by rail here dressed; is it not?

Mr. HINES. No; I am citing a case of both in the rough. If you dress it in the United States it costs a further charge.

Mr. GRIGGS. Is the Canadian lumber all made on the coast?

Mr. HINES. It is all made on the coast. What they call the Ontario district lumber is made absolutely on Georgian Bay, on the water.

Mr. GRIGGS. That comes through by water?

Mr. HINES. That comes through by water, all of it.

Mr. CLARK. That can not possibly last long, can it?

Digitized by Google

Mr. HINES. Yes; I think, in a conservative way, that what they are manufacturing in the Georgian Bay district has a life of at least fifty years ahead of it.

Mr. CLARK. I know; but part of the Georgian Bay district is a hundred or 200 miles from Georgian Bay.

Mr. HINES. Those rivers extend from 100 to 200 miles up.

Mr. CLARK. All of the timber in the Georgian Bay district does not grow so close to navigable waters that you can roll the logs down and raft them down, does it?

Mr. HINES. Nature has given Georgian Bay very peculiar advantages. There are a number of streams, at least 15 or 20, that run into the lake from a distance of 100 to 300 miles north, and the distance between those streams ranges all the way from 10 to 30 miles. The timber is taken over to one stream or the other stream.

Mr. CLARK. Instead of having the most fortunate country on earth, we seem to have the most unfortunate one about everything.

Mr. FORDNEY. About all the lumber manufactured in the Georgian Bay district is manufactured right on the bay, is it not?

Mr. HINES. All—all.

Mr. GRIGGS. Will it all continue to be manufactured there?

Mr. HINES. Naturally; nature has so arranged the situation that the cheapest way to transport logs is by water. The water flows to the lake, and the logs will almost naturally float down to the lake at a very small cost.

Mr. HILL. That was true at Bay City and Saginaw as long as the logs lasted, was it not?

Mr. HINES. Yes, sir.

Mr. GRIGGS. We have many rivers in Georgia on which timber grows, but we have no such situation as that, because they are 15 miles apart. A tramway has to be built to carry the logs out, and that is a large part of the railway cost.

Mr. HINES. But up north that is done in the winter time, with snow and ice roads, at practically no cost; while down south the yellow pine will not, in all cases, float. Up north our pine timber floats.

Mr. GRIGGS. Our pine will float, too.

Mr. HINES. Yes; to some extent. There is some difference in it.

Mr. GRIGGS. I never saw a pine log sink yet.

Mr. HINES. Does not the great extra cost in transportation from our mills to the respective places above named, and the large increase in the importation, warrant, in a most reasonable way, that our industry should have protection? And would it not be a mistake to give Canada further advantages by considerably lowering the present tariff? Our business is the largest purchaser of farm foods and farm products of any industry in this country, and needs assistance at your hands in the way of maintaining, if not increasing, the present tariff. The present tariff is only one for revenue, and is not one of sufficient size to be called protection, as in the case of the tariff on many articles like iron and steel, which enter into the manufacturing lines and are direct competitors with us.

Mr. GRIGGS. Right there, do you mean to tell us that you are here advocating a revenue tariff on lumber, and that you do not care anything about the protective part of it?

Mr. HINES. No, sir; absolutely on the contrary. We are here advocating a protective duty for this industry.

Digitized by Google

Mr. GRIGGS. But you say this is not one.

Mr. HINES. In our judgment it is not, as compared with other articles that enter into direct competition in our building lines, like steel. We say that an average of 11 or 12 per cent is not a protective duty as compared with other articles having from 40 to 60 per cent in comparison.

Mr. GRIGGS. Then it is a comparatively protective duty?

Mr. HINES. That is what the facts show; yes.

For the past several years, as the supply of some kinds of lumber has decreased, a mistaken opinion has become prevalent among many people. It has been stated broadly that the supply of lumber has greatly decreased, when really only certain kinds have been decreasing, which has had the effect of influencing the consumer to use other kinds practically as suitable for the ordinary purposes as they have been using white pine for and thus giving value to what was considered useless. Twenty-five years ago the average farmer and carpenter and box factory would not use anything but soft white pine, even for the ordinary common framing lumber. As it became harder to get and more expensive, necessity compelled him to look into the suitability of Norway pine, which at that time had no commercial value. I remember distinctly of first introducing Norway in the Middle West twenty-five years ago, going so far as to carry samples of it worked to bevel siding and flooring, and showing that it would take paint and answer practically the same purposes as white pine. We even furnished railroad companies sufficient samples in the way of roofing and siding to build cars, thus introducing it, and now it is used exclusively for framing and for car siding and roofing and for most purposes where white pine was formerly used exclusively.

Further changes have taken place during the past ten years. Hemlock has been gradually introduced in the place of Norway pine, until now it is being manufactured in large quantities in Pennsylvania, Michigan, and Wisconsin; and it has been demonstrated that for many purposes it does equally as well as many other woods. That has brought into the market timber that formerly had no commercial value and kept alive mills and towns that for many years were supported by the pine industry.

The hemlock stumpage at the present time is netting the manufacturer from $2 to $3, selling at the mill points for from $11 to $13 per thousand. The difference of from $8 to $9 consists entirely of charges for labor and supplies. Our lumber industry pays out more for horses, for food for the horses, and for the food supplies for men than is paid out in wages.

Take the duty off lumber, and where would the value of hemlock stumpage go? The manufacturer would not realize anything, and, necessarily, unless he could reduce the price of labor, the industry would have to go out of business. Considering that the cost of transportation to put this lumber on the market is from $4 to $6, as compared to $1.75 in Canada, you must appreciate his competition and the importance of giving this great industry some protection.

There are at least 250 mills in Michigan, Wisconsin, and Pennsylvania manufacturing hemlock to-day. In most cases it is the only employment offered in these territories, the men being employed in the woods in the winter time and in the summer time in the sawmills and yards. All are great buyers from our home farmers.

Digitized by Google

There is still considerable pine timber located in Wisconsin and Minnesota, estimated at 20,000,000,000 feet. The State has been selling timber for from $7 to $11 per thousand on the stump. Add to this the cost of operating, place lumber on the free list, and the manufacturer would be in a most serious position in endeavoring to sell his product in any of the large cities or consuming districts, all of which are reached by cheap water transportation from Canada. Labor in this country has become educated to a high standard of living, and even under the terribly depressed conditions of the past year it has been next to impossible to get it to take anything less. During the last year the value of most kinds of lumber decreased 25 per cent, but labor did not decrease over 7½ per cent, amounting to about 25 to 35 cents per thousand feet, while lumber declined $3 to $5 per thousand.

Mr. GRIGGS. Has not a large percentage of that price come back, though?

Mr. HINES. No, sir; not yet.

Mr. GRIGGS. None of it has come back yet?

Mr. HINES. Some kinds of lumber to-day have increased probably 5 per cent; but we have not yet seen any material advance.

Mr. GRIGGS. Has not yellow pine increased from $4 to $6 a thousand?

Mr. HINES. No, sir; absolutely not. I should say yellow pine has increased on an average of about 5 per cent. That would mean from 50 cents to $1.50 a thousand.

Mr. GRIGGS. That is what they tell me; that is all I know about it.

Mr. HINES. No; our selling price would not average over a dollar per thousand higher than during the lowest period of last year; and, buying in Chicago, we have not as yet paid over a dollar a thousand for anything in excess of the low price of last year.

A new feature in the past five years has come greatly to the front by the manufacture of yellow pine in the Southern States, which in volume now exceeds any other kind of lumber produced in this country, and very largely exceeds the amount of pine lumber that was ever produced in the North during the period of its greatest production. Last year this industry reached 13,000,000,000 feet, as compared with 3,250,000,000 of pine. This lumber is fast taking the place in the markets of all other kinds of pine and hemlock, and is becoming the universal material for all ordinary purposes.

Mr. UNDERWOOD. Let me ask you a question right there. In the case of yellow pine intended for structural work, there is no competition with the Canadian lumbers, is there? They do not compete at all?

Mr. HINES. They do, absolutely. You can buy Norway pine in Canada to-day at a basis of from $13 to $14 per thousand. We purchased last summer in the neighborhood of 20,000,000 feet at from $12 to $13.50 a thousand in Georgian Bay. The freight was from $1.50 to $1.87½; take $1.75 as the average. The duty of $2 would make it $3.75—an average of $13 in Canada, which would make it $16.75 in Chicago. Take yellow pine from the South, and you are up against the 26-cent freight rate. In the rough it weighs about 4½ pounds, costing about $11.50 to freight it alone. That would leave, at the mill points, about $7 a thousand for your timber.

Digitized by Google

Mr. UNDERWOOD. Then, if the Norway pine is a competitor in the same field that the yellow pine occupies, how do you account for the fact that the yellow pine of the South goes into Canada and comes in competition with it?

Mr. HINES. That is a very small percentage—not over 5 per cent of the amount produced; and that is only extremely large timber and heart stock. But to get that heart stock you have got to cut the balance of the log into something else and sell it. You have got to cut your top logs, your branches, and your side logs, and it has got to be put in other markets.

Mr. HILL. Mr. Hines, do you think that the tariff, in order to be a protective tariff (which you say you think you ought to have), ought to equalize the difference in freight between Canada and Chicago and the southern pine freight rates to Chicago?

Mr. HINES. No; I do not say it ought to entirely; but I say that to attempt to reduce it would mean placing the lumber industry in this country at a still greater disadvantage than it occupies to-day.

Mr. HILL. How do you reconcile that with the proposition that on the Atlantic coast, in New England, we can get the southern pine cheaper from the South than we can get lumber from Canada?

Mr. HINES. I think you are mistaken about that. You can not ship yellow pine from the South——

Mr. HILL. I am talking about North Carolina.

Mr. HINES. Yes; North Carolina—you can not ship North Carolina lumber to the markets of New York and Philadelphia and Boston any cheaper than you can ship New Brunswick spruce and hemlock to those same markets.

Mr. HILL. I am comparing it with Canada lumber. It is cheaper than that; it is cheaper than Ottawa lumber and Georgian Bay lumber.

Mr. HINES. No; in the New York markets—and I was there on Tuesday—you can buy Canada spruce to-day cheaper than you can buy yellow pine.

Mr. HILL. For how much?

Mr. HINES. Cheaper in price than you can buy southern pine.

Mr. UNDERWOOD. Does spruce come in competition with yellow pine?

Mr. HINES. Oh, yes. In the ordinary building material the spruce is just as good for joists and scantling and for sheathing and for lath and purposes of that kind; it is exactly equal to the yellow pine.

Mr. HILL. And a great deal better?

Mr. HINES. Well, I want to speak in a conservative way. In my judgment, it is better. It does not contain the sap; but in a conservative way it is as good.

The cost of transporting the lumber from the South to the consumer to the market, above referred to, averages from $7 to $10 per thousand. Compare this cost with the cheap water transportation from Canada, $1.75, and does this not warrant a further protection at your hands? The present value of stumpage in Mississippi and Louisiana is about $4, the cost of labor in operating being from $8 to $9, all cash, and which can not be reduced. Transportation amounts to from $7 to $10; and railroad companies are now claiming that they must increase the rates. If you deduct $2 per thousand tariff, what will it come out of? The railroad companies

Digitized by Google

will not carry it for less; labor will not bear any reduction. Would there be any justice in asking us to lose one-half of our investment, which has been paid for at the $4 basis? Does not the state of affairs warrant us in asking protection?

Mr. HILL. Mr. Hines, one moment—pardon me for interrupting you: Is not that stumpage bound to increase in value as the forests are cut off in this country—necessarily so?

Mr. HINES. It depends on what competition it meets. Are you speaking strictly of the yellow pine?

Mr. HILL. I am speaking of the stumpage anywhere in the country—South, North, East, or West—within the United States and within the $2 tariff provision. Is not the stumpage bound to increase in value, as it has increased in value for the last twenty years?

Mr. HINES. Personally, I do not think so; not nearly so much, for this reason: Changes in conditions have taken place.

Mr. HILL. Does the pine grow again when it is cut off?

Mr. HINES. No; but here is the explanation I am giving you: Changes in conditions have taken place. In the little country towns to-day you see no pine sidewalks; you see entirely cement sidewalks. You can hardly appreciate the tremendous amount of lumber that used to be used in pine sidewalks in the United States.

Mr. HILL. At the same time the consumption is increasing enormously every year?

Mr. HINES. Yes; but during the last few years the cement proposition has come in to compete with us in a greater proportion than it did in twenty years before that. That has occurred in the last three years. So it is a question to-day whether stumpage will increase as it has in the past. You have no proof to substantiate it. It is simply a matter of one's opinion—one's judgment.

Mr. HILL. Do you not think that the price of stumpage is going to continually increase with the cutting off of the forests?

Mr. HINES. I think it ought to increase, for this further reason, outside of the cutting off of the forests: The matter of taxation in this country has got to increase it, as compared with Canada. Your timber in the West, your timber in the South, and your timber in the North, as I will show later on, is to-day estimated by every town assessor, and it is assessed at its present market price, on a basis of 3 or 4 per cent. Add your taxes per year to your stumpage and add 5 or 6 per cent of interest (which is only a reasonable charge), and necessarily in a period of ten years you have either got to increase the value of your stumpage or you are going to lose part of your principal, outside of the question of cutting off your timber.

Mr. HILL. Is the manufacturing profit to-day on lumber in the United States anywhere near equal to what it was on the southern peninsula of Michigan when Bay City and Saginaw were in their glory?

Mr. HINES. No, sir; I do not think it is.

Mr. HILL. Then the increased cost of lumber is merely the result of increased stumpage, is it not?

Mr. HINES. No; it is due to a combination of reasons. It is due to the very materially increased cost of labor; it is due to a material increase in the cost of all kinds of supplies. Every such item as corn, oats, and wheat is several hundred per cent higher than it was

Digitized by Google

a few years ago. If you buy a team of horses to-day you pay $500 for them. We used to buy them for $225 a few years ago.

Mr. FORDNEY. The center of production is farther away from the center of consumption than it was then, is it not?

Mr. HINES. Yes, sir; and there are various reasons that bring that result about.

Mr. HILL. The reason for the center of production being farther away is simply that the supply near by has been cut off, is it not?

Mr. HINES. No—well, you might say it depends upon what territory you want to use the lumber in.

Mr. HILL. I am talking about Chicago.

Mr. HINES. If you take Chicago, from a local situation, it may be true there; but if you take St. Louis or Kansas City, the situation is just the other way; because the yellow pine to-day is nearer St. Louis than the white pine used to be to St. Louis.

The great States of Louisiana, Mississippi, Alabama, and part of Texas, Florida, Georgia, and the Carolinas are full of timber—enough to supply the market for many years, and practically their greatest wealth is raw material. Should not this district have reasonable protection as compared with the other great industries in raw material and manufactured products? In lumbering operations almost everything we buy has protection. Labor is protected. Steel we use in large quantities. Leather we use in belts. We use a great deal of woolen goods and other articles, all having an average of over 40 per cent in protection. Is it not reasonable that lumber should have not alone its present duty, but an increased protection?

A further and greater illustration lies in the comparison of carrying charges in Canada as compared to this country. We own some 500,000,000 feet of timber in Canada. The tax is only about $300 per year. In the city where our mills are located the country or town has no personal property tax. Therefore our mills and personal property are free from taxes. There is no penalty there for holding this timber or manufacturing it in limited manner. In Wisconsin we have several large operations. In Iron River, Hayward, and Mason, Wis., the town boards have had our timber estimated by experienced estimators, and, on the basis of actual quantity (the basis of $6 per thousand stumpage), imposed a tax of from 3 per cent to 4 per cent, amounting to about $90,000, or about 20 cents per thousand. In addition to this our sawmill, personal property, horses, outfit, railroad, and equipment are assessed at about their cash value, at 5 or 4 per cent. In manufacturing 30,000,000 feet per year, our taxes are about $3 per thousand on the amount produced, while in Canada there is practically no tax, or no great carrying charge, again placing us at a disadvantage of at least $4 per thousand. Deducting the tariff of $2 would give them a greater advantage of $5 per thousand.

Suppose you are cutting 30,000,000 feet per year, which would be a reasonable amount to cut. You have to make on your daily production or saw output $3 per thousand to pay for the carrying charge on the timber in Wisconsin. In Canada you only have to make $300 per year, or about 1 cent on that amount of production. Just think what that amounts to, gentlemen—$3 per thousand. You have to make that before you start to make interest on your capital. That goes right to the town; it goes to the State. Think of what a carrying charge that is.

Digitized by Google

The same conditions exist in the South. Two years ago we were called to Mississippi to meet the board of supervisors. They had had men out all through our timber. We own some 240,000 acres there. They had estimated conditions in sections of it, and they said, "We want to tax you now at $25 per acre on that timber at the regular assessed percentage." According to law, we could not do anything but pay our taxes. Now it is costing us to hold that tract of timber there about $50,000 per year—just to hold it for taxes, not to speak about interest.

That is one thing that must necessarily add to the cost of stumpage, and is a very large item.

Mr. HILL. It adds to the cost of lumber, too, by holding it out of the market, so that the small producer can not get hold of the stumpage, does it not?

Mr. HINES. No, sir. As an illustration, I will tell you this: There are 28,850 sawmills in this country. There is the strongest illustration you could have that it is ridiculous to claim that there is a lumber trust. It is also a strong illustration that there are a great many so-called "small sawmill men" in the United States.

Mr. LONGWORTH. What do you say about the cost of labor in this country and in Canada?

Mr. HINES. You have to take Canada by districts. If you take the extreme Northwest, a very large amount of their help is Hindus, Japanese, Chinamen, and all that class of help. They get from 80 cents to $1.25 a day. Right across the border you have entirely Americans. They get from $2 to $3 per day. Take the conditions down in the extreme Nova Scotia district, and you have Canadian Frenchmen—an excellent class of workmen, especially in the woods. They get about half what we are paying them in this country. The Ontario district comes nearest to our prices of labor, although, on the average, the prices there are a little less, but they come nearest to the prices here.

Mr. CLARK. Mr. Hines, do you mean to say that the lumber industry out in Washington, Idaho, and Oregon is conducted by Japanese, Hindus, and Chinese?

Mr. HINES. In our lumber operations?

Mr. CLARK. Yes; and all the rest of them.

Mr. HINES. No; in Washington Territory, Idaho, Montana, and through there, they have Americans almost entirely.

Mr. CLARK. You undertook to work them, and the Americans ran them out over into British America; did they not?

Mr. HINES. Oh, there was practically nothing of that kind. That occurred in one or two isolated places. It would not be 2 per cent of the help. But right across the border it is almost entirely that kind of help.

Mr. CLARK. They tried to run them back, did they not?

Mr. HINES. I do not recollect just the exact facts; but I know positively, having been out there a number of times, that it is a rare thing to see—in fact, you do not see any Hindus in the State of Washington or Oregon or Idaho.

Mr. CLARK. Where did those fellows finally fetch up? They were playing shuttlecock over the border with them, were they not?

Mr. HINES. I do not know where; but some of our people here have photographs showing a hundred men in front of the sawmills, all Hindus and Japanese, and not a single American among them.

Digitized by Google

Mr. CLARK. Yes; that would be very easy to arrange.

Mr. HINES. We have got pictures of a number of places. It would not be quite so easy to show a number of places in that way.

Mr. CLARK. You might move them along.

Mr. HINES. Well, no; I think not.

The CHAIRMAN. Proceed, if you will. Our time is running by and we have a great many people to hear.

I want to warn the gentlemen present that this hearing must be concluded before we adjourn to-night. I am not speaking to the committee; I am speaking to the other gentlemen who are here.

Mr. CLARK. Mr. Chairman, will you allow me to make a suggestion?

The CHAIRMAN. Certainly.

Mr. CLARK. If these lumbermen could pick out two or three representative men that could talk as well as Mr. Hines does (if they have any left), it would shorten the process very materially.

Mr. HINES. Thank you very much. That is quite a compliment.

The CHAIRMAN. Of course it would. That suggestion has been made to all parties heretofore, weeks in advance or days in advance.

Mr. CLARK. If they would hold a convention out here, it would be a good thing.

Mr. BOUTELL. I would like to suggest that we hear Mr. Hines's interesting statement and make memoranda of anything we want to ask, and ask him questions when he finishes.

Mr. HINES. I shall be very glad, indeed, to answer them.

The CHAIRMAN. I shall be glad if the committee will do that. I have suggested that once or twice, but it did not seem to work. I again request the committee not to interrupt Mr. Hines until he gets through with reading his statement.

Mr. HINES. Thank you.

There are in the neighborhood of 100,000 men employed in Michigan, Wisconsin, Minnesota, and Iowa. It would be safe to say that these would represent average families of five persons, not to take into account the various families that are indirectly dependent upon this industry in these towns, all of whom would be directly affected by anything that would affect the prosperity of our industry. Taking into account the tremendous buying power of our farm products of this army of people, and comparing the tax of about 12 per cent on lumber with the average of over 40 per cent on other articles, is this fair treatment of this industry, as against steel, which enters in a great competitive way into building material?

We wish to call your attention to the purchasing power of the farmer to-day. Our industry is the largest customer he has. A bushel of wheat, oats, or corn will buy more lumber at the present prices than during any period in the past twenty years. Therefore the American farmer has no ground for complaint. In 1906, on September 15, cash wheat brought in Minneapolis 74½ cents; in 1907, $1.07⅝; in 1908, $1.25—almost 100 per cent increase in a year. Corn brought 44 cents, 59¼, and 78½ cents—about 75 per cent advance. Lumber has had no such comparative advance; yet everything that enters into the cost of the finished product we have been compelled to contribute to the farmer to sustain these prices. We can not buy a team of horses for less than $500. We are paying relatively the

Digitized by Google

highest prices in twenty years for wheat, corn, and oats. We are paying to the railroad companies their present schedule of freight rates, and our industry is about the greatest commodity they handle. They are asking us to pay them more on account of the higher prices they are paying for all materials. Consider, therefore, taking off the duty and further encouraging competition with Canada. Where would our industry land? Would not the decrease in our business bring about a greater decrease in the purchasing of farm products? Therefore, in place of any reduction, have we not given you substantial reasons, which can not be questioned, that lumber must have protection? And is it not fair to increase the present duty if any changes in the general tariff schedule are to be considered, in order to protect this great industry and put it on a par with other great protected industries that enter into competition with it?

Some gentleman spoke about the cutting off of our forests having a tendency to affect the water supply. In the years 1870 and 1880 occurred the greatest floods that we have had in the Mississippi River—greater than we have had at any period since that time. So that contention, I think, is not well founded.

At the present time I have very reliable authority to the effect that Canada is considering putting an import duty on any yellow pine we ship into their country. The lumbermen are going to petition Parliament to have the importation of our pine stopped. So you can appreciate the position that Canada is taking to protect her own industries.

There has been some question made here as to an association of lumbermen, or a so-called "lumber trust." I have just read here from reliable statistics that there are 28,000 mills in the United States. We are direct competitors—the South against the West, the West against the North, and the East against the Middle West. There are absolutely different interests, different ownerships, and the mills are direct competitors. So there is no such thing, or even a probability of any such thing being considered, as a lumber trust. If lumber from one section gets too high, it simply opens the markets for the lumber from other territories to come in. If we get yellow pine too high, it opens the market for the hemlock from Wisconsin, Pennsylvania, and Michigan. If we get hemlock too high, it opens the yellow-pine district. If in the States of Kansas, Nebraska, and Dakota we get lumber too high, it opens the great Pacific coast district, and so it goes. If you get lumber too high in New York City, that opens the market to lumber from North Carolina or Nova Scotia.

Now, gentlemen, if there are any other questions that you would like to ask, I shall be very glad indeed to try to answer them.

Mr. UNDERWOOD. I should like to ask you some questions about this freight question. You state that the cost of delivering lumber in the rough at Buffalo is $1.75. The duty on lumber in the rough at present is $1 a thousand. That would be $2.75. Did I understand you to say that from the mills in Wisconsin it costs $7 to deliver it in Buffalo?

Mr. HINES. In the rough, it costs about $7 in Buffalo from Wisconsin.

Mr. UNDERWOOD. That gives the Canadian lumber in Buffalo an advantage of $4.25?

Digitized by Google

Mr. HINES. In freight rates; yes, sir.

Mr. UNDERWOOD. In freight rates, with the duty added to the Canadian lumber?

Mr. HINES. Yes, sir.

Mr. UNDERWOOD. At present, then, in Buffalo the Canadian mills control that market, do they not?

Mr. HINES. No, sir; not entirely. They are shipping a great deal of lumber into Buffalo.

Mr. UNDERWOOD. Can the manufacturer in Wisconsin undersell the Canadian manufacturer to the extent of $4.25?

Mr. HINES. Certain kinds of lumber come from this country.

Mr. UNDERWOOD. I am talking about lumber in the rough now.

Mr. HINES. I am going to explain. Certain kinds of lumber come in. I have seen certain kinds come in from Canada.

Mr. UNDERWOOD. Referring to this lumber in the rough, is there any of that shipped from Wisconsin to Buffalo?

Mr. HINES. Yes, sir; there is a great deal of lumber shipped from the Cloquet district and the Duluth district.

Mr. UNDERWOOD. And the difference in freight rates and the duty amounts to $4.25 in favor of the Canadian man, and yet you compete with him at Buffalo?

Mr. HINES. Let me explain: The lumber from Georgian Bay pays a duty of $2, and $1.75 freight. That is $3.75.

Mr. UNDERWOOD. Wait a minute. Lumber in the rough only pays $1 duty.

Mr. HINES. No; $2.

SEVERAL GENTLEMEN. Two dollars.

Mr. UNDERWOOD. I thought the duty on rough lumber was $1.

Mr. HINES. No; $2.

Mr. RANSDELL. You are talking about logs.

Mr. UNDERWOOD. All right—$2. There is where I made the mistake. That is $3.25. That is a difference in favor of the Canadian lumbermen of $3.25 in Buffalo?

Mr. HINES. Yes, sir.

Mr. UNDERWOOD. You are able to meet that difference in freight rates and compete there?

Mr. HINES. We have to equalize the difference or lose the business. The dealer that is buying in Buffalo, having no interest in stumpage, would just as soon buy timber from Canada as he would from any part of the United States.

Mr. UNDERWOOD. Certainly; I understand that; but I want to know whether you can go into that market and compete under those circumstances?

Mr. HINES. We are obliged to or lose the trade.

Mr. UNDERWOOD. You would not try to hold onto the trade if it was not profitable, would you?

Mr. HINES. Why, certainly; we have to equalize things. In some places the trade is less profitable than in others.

Mr. UNDERWOOD. But you are not attempting to hold on to a trade where you get no profit out of it at all?

Mr. HINES. Oh, no; on certain kinds of lumber we can.

Mr. UNDERWOOD. There is a zone that it will cost the Canadian manufacture of lumber as much to go into as it costs you, by reason

Digitized by Google

of his paying freight rates after he lands on the American side, is there not?

Mr. HINES. Well, take Pittsburg, for instance.

Mr. UNDERWOOD. There is a zone of that kind, I presume. Please make a comparison there.

Mr. HINES. The rate from Cleveland to Pittsburg, I think, is 6 cents per hundred pounds. Therefore it costs a dollar and a half per thousand more to get that lumber from Cleveland, which would be added to the $3.75 duty and lake freights, making it about $5.25 to put it in Cleveland. To ship yellow pine, for instance, from the South in the rough would cost you about $11 a thousand in the same market. To ship that same lumber from Wisconsin in the rough would cost you about $7 per thousand at Pittsburg.

Mr. UNDERWOOD. Therefore, at the Pittsburg market both the Canadian lumber and the Wisconsin lumber have an advantage over the southern lumber by reason of the freight rates, to what extent?

Mr. HINES. On rough lumber, $11 as compared with about $6.25 from Canada, as well as from Wisconsin.

Mr. UNDERWOOD. When we get farther south, or, say, southwest—because that is nearer——

Mr. HINES. St. Louis, for instance?

Mr. UNDERWOOD. Toward St. Louis—where do you first reach the zone where the freight rates equalize the Canadian lumber?

Mr. HINES. St. Louis is the nearest point. For instance, the rate from St. Louis to Chicago is 10 cents. It would cost, therefore, $2.50 a thousand to ship the lumber from Chicago to St. Louis. That would make it $5.25 per thousand from Canada. The rate from the South to St. Louis is, I think, 18 cents on rough lumber. That would bring it to $8.10.

Mr. UNDERWOOD. Eight dollars and ten cents from the South, and how much from Canada?

Mr. HINES. Seven dollars and twenty-five cents from Canada.

Mr. UNDERWOOD. Seven dollars and twenty-five cents from Canada?

Mr. HINES. Plus the duties.

Mr. UNDERWOOD. With the duty added?

Mr. HINES. Included; yes, sir.

Mr. UNDERWOOD. When you get to the west and the southwest, where do you strike the zone where they sell in competition with you?

Mr. HINES. At Kansas City it would be in favor of the yellow pine, on account of the rate from Chicago being, I think, 20 cents.

Mr. UNDERWOOD. How much in favor of the yellow pine?

Mr. HINES. About a dollar.

Mr. UNDERWOOD. A dollar. Now, if you go south and southwest of Kansas City you get to a point where the Canadian lumber can not go into that territory in competition with the southern pine at all?

Mr. HINES. That is right.

Mr. UNDERWOOD. Whether the duty is on or off?

Mr. HINES. That is right.

Mr. UNDERWOOD. So that the territory to the south and west of Kansas City would not be affected by this removal of the duty on lumber at all?

Mr. HINES. That is correct.

Mr. UNDERWOOD. But to the north and along the border line it would?

Digitized by Google

Mr. HINES. And that is the great consuming district. For instance, take Chicago and Detroit and Cleveland and Buffalo—there is a tremendous consuming district for building material, besides having tremendously large box factories.

Mr. UNDERWOOD. Is there much southern pine sold in that northwestern territory above Kansas City?

Mr. HINES. Yes, sir; there is. The yellow-pine manufacturers have been endeavoring to enlarge their field, which they are compelled to do by the enormous increase in manufacture in the South.

Mr. UNDERWOOD. Do they compete with the Canadian lumber in that field on the same basis? Or is not the yellow pine sold there for one purpose and the Canadian lumber for another?

Mr. HINES. No; for instance, in the case of box lumber the South has been putting box lumber into Chicago during this late depression as low as $11 per thousand, dressed on one side. That netted the mills about $5 a thousand in Mississippi and Louisiana and Texas.

Mr. CLARK. Mr. Hines, did you ever know anybody that was dealing in stumpage to go into bankruptcy or into the hands of a receiver?

Mr. HINES. Yes; I have known some people to do that.

Mr. CLARK. That was through their drunkenness or mismanagement, was it not?

Mr. HINES. Well, no; miscalculation.

Mr. CLARK. When was it?

Mr. HINES. Oh, I have known a number of men in my experience that did not make a success of the lumber business, like many other kinds of business.

Mr. CLARK. Now, I want to ask you several questions. What is the rate of taxation in Mississippi?

Mr. HINES. I was just trying to think of that. The timber was valued at $25 per acre—but while I want to make an illustration, I can not recollect what the rate was, but it amounted on our tract of timber of two hundred and some thousand acres to pretty close to $50,000.

Mr. CLARK. On that point I wanted to ask you two questions, one following on the other. I want to know the rate of taxation in Mississippi, and how much lumber there is to the acre in Mississippi. If you do not know that, put it in your brief.

Mr. HINES. Yes; I can do that. The amount in Mississippi will vary all the way from 6,000 to 15,000 feet to the acre, depending on the location.

Mr. CLARK. I wish you would put that information in your brief.

Mr. HINES. Yes; I shall be pleased to do so.

Mr. CLARK. All we want is information. Do you say there have been no floods in the Mississippi River since 1900?

Mr. HINES. I say the greatest floods occurred in 1870 and 1880; at no time since then has the water been so high.

Mr. CLARK. Do you not know that there have been immense floods in the Mississippi in the last four years?

Mr. HINES. Oh, there have been floods; but the water has not been as high as during those periods.

Mr. CLARK. Was it not higher, as a matter of fact, year before last than it has been within the memory of the oldest inhabitant?

Mr. HINES. Not as I understand it; no.

Digitized by Google

Mr. CLARK. That is the truth about it, however.

Mr. HINES. I understand that the greatest floods were in 1870 and 1880. We have a gentleman here who lived at Clinton for thirty years, and he has given me those figures as being the absolute facts. He says he can prove that they are the facts.

Mr. CLARK. The river got over the levees and washed out the lands over in western Illinois, year before last, in places that had never been bothered in the last fifteen years.

Mr. HINES. I shall be glad to try to give you the exact figures on the depth of the water.

Mr. CLARK. You are talking about the headwaters of the Mississippi. They do not amount to anything.

Mr. HINES. No; I am speaking of the water on the basis of Clinton, Iowa.

Mr. CLARK. That is away up the river, too.

Mr. HINES. That is what we took as the basis.

Mr. CLARK. You are both a manufacturer of lumber and an owner of standing timber?

Mr. HINES. Yes, sir.

Mr. CLARK. What lumber and timber companies do you belong to?

Mr. HINES. I am the president of the Edward Hines Lumber Company, of Chicago.

Mr. CLARK. Is that the only one?

Mr. HINES. We have a number of subsidiary companies. We have the North Wisconsin Lumber Manufacturing Company, of Hayward, Wis. We have the Iron River Lumber Company, of Iron River, Wis. We have the White River Lumber Company, of Mason, and we have a number of institutions in Mississippi.

Mr. CLARK. Do you belong to what is popularly known among lumbermen as the "Weyerhaeuser group?"

Mr. HINES. Mr. Weyerhaeuser is interested in our company; yes, sir.

Mr. CLARK. How much stumpage do Weyerhaeuser & Co. own?

Mr. HINES. I have no reasonable basis of calculation, except that I should say that Mr. Weyerhaeuser, to my personal knowledge, is interested in probably thirty to forty mills; but in none of them has he the majority interest.

Mr. CLARK. I know; but how many acres of stumpage do Weyerhaeuser & Co. own?

Mr. HINES. Oh, Weyerhaeuser & Co. own very little. The different companies that he has stock in own, I presume—well, I could not say in definite terms; I presume somewhere about fifteen or twenty billion.

Mr. CLARK. Fifteen or twenty million acres?

Mr. HINES. Fifteen or twenty billion—no, sir; I refer to stumpage.

Mr. CLARK. As a matter of fact, do they not own about a million and a half acres of stumpage?

Mr. HINES. I could not say how many acres. We generally judge timber more by the stumpage quantity.

Mr. CLARK. What would you say to the proposition of a million and a half acres of stumpage?

Mr. HINES. I can not give a definite answer, because I do not know.

Mr. CLARK. How long have you been in the lumber business, Mr. Hines?

Digitized by Google

Mr. HINES. About thirty years.

Mr. CLARK. And you have been owning timber how long?

Mr. HINES. About fifteen years.

Mr. CLARK. Weyerhaeuser and yourself and the correlated companies bought a good deal of that stumpage as low as 15 cents a thousand, did they not?

Mr. HINES. No; we never bought any as low as that.

Mr. CLARK. Do you know whether Weyerhaeuser got any of his present holdings at 15 cents a thousand?

Mr. HINES. I do not know that; no, sir. I know our company never has bought any as cheap as that.

Mr. CLARK. What was the lowest stumpage when you first started in business yourself?

Mr. HINES. The cheapest stumpage our company bought, I think, was pine stumpage at about $3 a thousand—yellow pine at about from $2 to $4.

Mr. CLARK. The lowest stumpage twenty-five years ago was $3 a thousand?

Mr. HINES. Fifteen years ago.

Mr. CLARK. Well, fifteen years ago. Was it $3 a thousand then?

Mr. HINES. Pine stumpage; yes, sir.

Mr. CLARK. How much is it now?

Mr. HINES. Of course, that stumpage has been cut off; so it would be pretty hard to say what that stumpage would be worth in that particular locality at the present time. But I should judge, in a general way, about from $6 to $9 per thousand.

Mr. CLARK. That is quite a respectable kind of a profit if you never made any more.

Mr. HINES. Are you figuring the gross profit or the net profit now?

Mr. CLARK. Both ways. It finally comes to the same thing.

Mr. HINES. No; you have to add to that, for a period of fifteen years, interest at the rate of 6 per cent. That would make about 200 per cent. Then you have to add your taxes. When you get all through you will not have such a tremendous profit.

Mr. CLARK. It is only in the last three or four years that the people of Minnesota and Wisconsin and Michigan and the Montanas woke up to the fact, just through the Granger movement and the La Follette agitation, that this timber ought to be taxed at any reasonable rate, was it not?

Mr. HINES. Oh, that is a mistake. Long before La Follette was elected in Wisconsin at all we were taxed on our timber. I know that to be an absolute fact.

Mr. CLARK. I know you were taxed; but you were taxed at a very low rate, were you not?

Mr. HINES. No; on the comparative market price at that time, which was small.

Mr. CLARK. Where are your timber lands located?

Mr. HINES. We have timber lands located in Wisconsin, a little in Minnesota, and also in Canada and in Mississippi.

Mr. CLARK. What is the rate of taxation per hundred, if you know, in Wisconsin? That is the easiest way to get at it.

Mr. HINES. In Wisconsin they assess your timber, get at the exact quantity as nearly as it is possible to estimate it, and assess the stumpage at all the way from $7 to $9 per thousand. The rate in Wiscon-

Digitized by Google

sin ranges from 3 to 4 per cent, which would make it cost you from 25 to 40 cents per year to carry it.

Mr. CLARK. You do not mean to say that the rate of taxation in Wisconsin is 3 or 4 per cent on the hundred?

Mr. HINES. I do, absolutely. We have paid it.

Mr. CLARK. What is this stumpage that you bought at $3, you say, fifteen years ago, worth now?

Mr. HINES. I think the same stumpage to-day would bring from $7 to $9 a thousand if it was not cut.

Mr. CLARK. And how much is it worth per acre?

Mr. HINES. Stumpage in Wisconsin we do not judge by the acre; we estimate the land. It will vary a great deal. We base it on the amount of stumpage, not on the number of acres.

Mr. CLARK. Another thing. Is it not generally conceded among lumbermen, when you talk among yourselves, that the growth of the timber fully compensates for the interest and the taxes and the taking care of it?

Mr. HINES. No; it is not. For instance, last year we had considerable timber burned up by the fires.

Mr. CLARK. Oh, I know; but that is one of the accidents.

Mr. HINES. Yes; but those are things that we must take into account.

Mr. CLARK. I understand that.

Mr. HINES. Another thing is the wind that blows our timber down. Another thing is overripe timber that ought to be cut. So I would not agree with you on the question of interest and taxes being taken care of by the growth. I do not believe it.

Mr. CLARK. Does not the growth almost compensate, then, for the interest and taxes?

Mr. HINES. No; on certain kind of timber it actually does not. Possibly it might on some kinds of young timber.

Mr. CLARK. How much standing timber is there in the United States?

Mr. HINES. That is a matter of guesswork, to be perfectly frank.

Mr. CLARK. But you lumbermen have evidently worked on that proposition. How much is there?

Mr. HINES. No; we have had Mr. Pinchot's estimates or calculations. We have had other government statistics, too; but I do not believe that any reliable statistics of the timber in the United States exist to-day.

Mr. CLARK. Do you know what Pinchot puts it at?

Mr. HINES. I have forgotten the exact figure.

Mr. CLARK. Fourteen hundred billion feet. What is the amount of the annual cut in the United States?

Mr. HINES. About forty billions.

Mr. CLARK. If Pinchot is right on his estimate of the lumber, then there is not enough lumber in the United States to last over a generation?

Mr. HINES. I heard twenty-five years ago that in twenty-five years we would not have any timber in the United States; but to-day, apparently, the figures are just as large as they were at that period.

Mr. CLARK. But then it was guesswork, and now it is the scientific work of this administration.

Digitized by Google

Mr. HINES. I do not think any figure has been prepared based upon reliable statistics.

Mr. CLARK. If Pinchot is right, and there is only fourteen hundred billion feet in the United States, and you cut forty billion a year, it will last a little over thirty years; will it not?

Mr. HINES. I think that on the basis of cutting forty billion a year there is a great deal more than fourteen hundred billion feet of timber in the United States.

Mr. CLARK. What makes you cut saplings up there? Why do you not let them grow?

Mr. HINES. They could not grow.

Mr. CLARK. They could not?

Mr. HINES. No.

Mr. CLARK. For what reason?

Mr. HINES. The fire the next year would burn them down or they would blow down.

Mr. CLARK. The legislature ought to pass a law compelling you to burn the tree tops up.

Mr. HINES. That would not interfere with these saplings being blown down.

Mr. CLARK. I know; but while it would not interfere with the wind blowing down the saplings, that destruction must be a very small per cent of the amount that is destroyed by these careless fires. What was the total consumption of timber for all purposes in the United States in 1907?

Mr. HINES. The amount cut was about forty billions, and the consumption would be approximately 75 per cent of that amount.

Mr. CLARK. Why, the Forestry Bureau estimates it at 150,000,000,000 feet.

Mr. HINES. Well, here are the figures as close as we can get them, showing the amount produced in 1907 as 40,000,000,000 feet.

Mr. CLARK. That was the amount that was cut into lumber?

Mr. HINES. Yes.

Mr. CLARK. You do not think the United States has an inexhaustible supply of timber, do you?

Mr. HINES. No; I would not say it was inexhaustible; but based on the amount we are cutting to-day I think we have many more years ahead of us than the report there shows.

Mr. CLARK. Instead of this business of planting trees, why not try to save some that we have by letting in this Canadian lumber? And if they want to denude their forests, why not let them go?

Mr. HINES. One illustration that I can give you is, I think, a reasonably good answer to your question. The fact that in Canada on 500,000,000 feet we pay $300 a year tax, while on the same quantity in this country we pay about $90,000 a year tax, makes it impossible to hold that timber in this country and pay that amount of taxes per annum. In a very few years it would be too costly to be sold.

Mr. CLARK. Is the lumber output, if you want to call it that, greater in the United States now than it was, for instance, in 1897?

Mr. HINES. No, sir.

Mr. CLARK. Is it smaller?

Mr. HINES. It must necessarily be smaller by the amount that is cut.

Digitized by Google

Mr. CLARK. You have spoken about freight rates to St. Louis. Why do they not raft that lumber down to St. Louis, as they used to do years ago?

Mr. HINES. Where? Down the Mississippi River?

Mr. CLARK. No; why do they not raft it down from Minnesota and Wisconsin and that country up there, where they had this white pine?

Mr. HINES. Because they found it more profitable to build mills nearer to the stumpage, and to save the off haul.

Mr. CLARK. Can they not raft the lumber down as well as the logs?

Mr. HINES. It has not been found as practical as shipping it by cars direct.

Mr. CLARK. It is surely cheaper, is it not?

Mr. HINES. That is quite a question, about its being cheaper.

Mr. CLARK. You speak of Kansas City being the standard of this yellow-pine industry. As a matter of fact, Kansas City is closer to the yellow pine itself than any other place north of the extreme southern cities, is it not?

Mr. HINES. Yes, sir.

Mr. CLARK. It is closer than St. Louis?

Mr. HINES. Yes, sir.

Mr. CLARK. And that is the reason it is cheaper in Kansas City than it is in St. Louis, naturally?

Mr. HINES. Why, naturally the freight rates are less, and therefore the delivered price is less.

Mr. CLARK. What element do you say has caused this increase of $10 a thousand on lumber in the last ten or twelve years? That is, counting 1906 as the maximum?

Mr. HINES. What particular kind of lumber are you referring to?

Mr. CLARK. I am referring to any sort that you use to put in houses.

Mr. HINES. I would not say that all kinds of lumber are $10 a thousand higher.

Mr. CLARK. It has been testified here, I think, by a witness, that that was about the average up until the price of lumber began to fall.

Mr. HINES. I do not think that that question was thoroughly understood, then. They may have taken possibly the one item of white pine. Yellow pine certainly is not $10 higher.

Mr. CLARK. Yellow pine never figured very much commercially until recently, did it?

Mr. HINES. Oh, yellow pine is used very largely in this country. Not right now, but at a comparatively recent time, yellow pine cut quite a big figure even in places as far south as Missouri. It has been largely used for the last five or ten years.

Mr. CLARK. The price of white pine has increased?

Mr. HINES. Oh, yes.

Mr. CLARK. What is the reason for that increased price of white pine?

Mr. HINES. Well, you have to go farther away for it. There is the question of greater railroad transportation and the question of a 100 per cent advance in labor in the woods alone in that period. That is one item.

Mr. CLARK. It goes back to the question of stumpage, does it not?

Digitized by Google

Mr. HINES. There is the one item of 100 per cent advance in labor in the woods and the question of supplies—corn, oats, and wheat. There is that item of 100 per cent. The great question in connection with lumber is the question of labor and supplies. It constitutes 75 per cent of the cost of lumber—not stumpage. There has been some advance in stumpage.

Mr. CLARK. If the labor cost and all the other costs that enter into what it finally costs you are as great in Canada as in the United States, what difference would it make to you whether the Canadian lumber came in free or came in with a tariff on it?

Mr. HINES. I just explained that to you. I explained that on a mill cutting 30,000,000 feet per year the tax here alone would be $30,000 in excess of what it would be in Canada. That is $3 as against $10.

Mr. CLARK. You do not mean that anybody on earth taxes lumber in the tree at $3 a thousand feet, do you?

Mr. HINES. I just gave you the absolute figures. We would be obliged to pay about $90,000 taxes per annum—which would come to about $3 a thousand—on a tract of 500,000,000 feet in Wisconsin. In Canada, on the same tract, the tax is $300.

Mr. CLARK. That $300 a thousand on lumber at the present rate, would be 25 or 30 per cent for taxation, would it not?

Mr. HINES. To tax the entire tract of 500,000,000 feet will add $3 a thousand. They pay $300.

Mr. CLARK. How much does that lumber sell for?

Mr. HINES. In Canada or in Wisconsin?

Mr. CLARK. No; I mean your lumber.

Mr. HINES. In Wisconsin?

Mr. CLARK. Yes.

Mr. HINES. Mill-run stock this year would average about $18 at the mill.

Mr. CLARK. I think the impression that was left on the mind of every member of this committee that heard your statement was that the tax was $3 a thousand on the lumber in the tree.

Mr. HINES. Not in the tree. I tried to say it very plainly, that the tax on the stumpage was on the basis of $3 on the amount produced that year, or $90,000.

Mr. CLARK. Are you not undertaking in your statement to load all of the taxation of all the timber land that you have cut on to your timber cut for a particular year?

Mr. HINES. No; each year takes care of its own particular tax.

Mr. CLARK. There is not a people under the sun who would stand a tax of $3 on $18 worth of stuff.

Mr. HINES. Those are the facts in Wisconsin and Minnesota. It is not theory. It is a fact, I am sorry to say.

Mr. CLARK. Do you want to be considered as saying that on $18 worth of lumber you pay $3 tax?

Mr. HINES. I absolutely want to make that statement.

Mr. CLARK. Well, I have no objection to it.

Mr. HINES. That on a basis of 500,000,000 feet of stumpage, with the plant cutting 3,000,000 a year, the tax will approximate $3 a thousand per annum.

Mr. CLARK. How much is it on $100—the tax you pay?

Mr. HINES. I figure it on a 3,000,000 proposition, at $90,000.

Digitized by Google

The CHAIRMAN. Is that the rate of taxation in Wisconsin?

Mr. HINES. That is the average in Washburn, Washington, and Bayfield counties.

Mr. CLARK. It is a large amount.

Mr. HINES. It seems to be large, but it is the fact.

Mr. CLARK. What part of the production of your mills is this low-grade lumber, as you call it?

Mr. HINES. About 60 per cent.

Mr. CLARK. Is it not about one-fifth? Is it not 20 per cent instead of 60 per cent?

Mr. HINES. Oh, no. The kind that is used for boxes is about 60 per cent.

Mr. CLARK. What is the low-grade product of the Canadian mills? Is there any difference between the amount of the low-grade product in Canada and in the United States?

Mr. HINES. Not if they cut the lands clear; no.

Mr. CLARK. That is all I care to ask.

Mr. HILL. You are the largest distributers of lumber in the United States, are you not?

Mr. HINES. I think we are; yes.

Mr. HILL. And in naming your prices have you taken into consideration at all the spruce from the eastern provinces and Maine and along the Atlantic coast?

Mr. HINES. We do not strike the Atlantic coast.

Mr. HILL. In making your prices you do not take into consideration the distribution of North Carolina on the Atlantic coast?

Mr. HINES. No.

Mr. HILL. You say that the price of lumber has not increased as rapidly as the price of farm products. You must base your estimate on your immediate vicinity, about your point of distribution, and not as covering the whole United States?

Mr. HINES. I aimed to base it on my own knowledge of our particular territory.

Mr. HILL. If the fact is different, it would alter your view as to the question of retaining the duty of $2 on lumber, would it not?

Mr. HINES. It would depend somewhat on what the general situation might be.

Mr. HILL. I will read a statement or two from the United States statistics, given by the Bureau of Labor this year on that subject, and then will ask you a question: The advance in the price of farm products. Taking the average prices from 1890 to 1900 as the basis, at 100 per cent, the average price increase of farm products in 1907 was 37.1 per cent; in food products, 17.8 per cent; in clothing and cloth, 26.7 per cent; in fuel and lighting, 35 per cent; in metals and implements (much of which you use in manufacturing lumber), 43.4 per cent; in drugs and chemicals, 109.6 per cent; in house-furnishing goods, 18.5 per cent; in miscellaneous articles, 27.1 per cent; and the average for the whole of that, leaving out lumber, is 29.6 per cent. And the increase in the price of lumber for the same period was 46.9 per cent higher than the highest item and about 20 per cent higher than the whole of them.

Mr. HINES. Is that the price of lumber at any particular place?

Mr. HILL. I am giving you the price as stated—just as it states the other items—covering the entire United States, prepared and pub-

Digitized by Google

lished by the Bureau of Statistics this year. They will very gladly furnish you with information on that subject.

Mr. HINES. Is it also stated in regard to whether that is simply the price of the manufactured product, or the net stumpage?

Mr. HILL. Lumber and building materials is the item, and I have read the other items. Does that affect your statement at all?

Mr. HINES. No; for in this article I am not quite clear whether that is an advance in net stumpage or whether it is the lumber in the finished product.

Mr. HILL. It is lumber and building materials. Stumpage would not be building material.

Mr. HINES. If it is, I offer this explanation: I just stated that there was the question of the payment of labor in the woods, which in that period has increased 100 per cent. That would necessarily increase the price of lumber, but it would not necessarily increase the price of the net stumpage.

Mr. HILL. It would not increase the cost of the other things that you stated had advanced far more than the lumber had—iron, steel, and things of that kind. And belting, I think you said.

Mr. HINES. Yes.

Mr. HILL. And clothing, etc. Lumber having advanced far beyond all of these items—being the highest advance of any—would that affect your views as to the advisability or nonadvisability of lowering or taking off the duty on lumber?

Mr. HINES. It would not. I would think still that lumber should have protection, because labor cuts a tremendous figure in the price of the lumber—about 75 per cent.

Mr. FORDNEY. I would like to ask you this: If the duty on lumber is taken off, what, in your judgment, would be the effect on the price of lumber in this country?

Mr. HINES. I think it would give an opening for Canada, for its tremendous amount of low-grade lumber. Our low-grade lumber here can not stand the greater cost of transportation. In Canada they export largely their good lumber to England, and it leaves a large amount of low-grade lumber to find a market in this country, which would come in direct competition with ours. It would compel us to either leave in our woods a large amount of stock which we could not afford to take out, or else——

Mr. FORDNEY. You would be obliged to leave that cull stuff in the woods?

Mr. HINES. Yes.

Mr. FORDNEY. You own some timber in Canada, do you not?

Mr. HINES. Yes, sir.

Mr. FORDNEY. Right in the face of that, I want to say that you are a fair fellow. You are the first man who has appeared before the committee, who owns Canadian stumpage, who does not want the duty removed from lumber.

Mr. HINES. Thank you. We want to be fair.

Mr. FORDNEY. The gentleman from Missouri asked you why you did not raft the lumber down the Mississippi River, as was done many years ago. If you attempted to raft it down the river—kiln-dried lumber—it would be apt to absorb some of the moisture, would it not?

Mr. HINES. It certainly would. It would not be in condition for the market after it arrived at its destination.

Digitized by Google

Mr. FORDNEY. It is impossible to do it, under the conditions now?

Mr. HINES. It is.

Mr. FORDNEY. That could not be done any more, could it?

Mr. HINES. No; it has been given up.

Mr. HILL. Twenty-five years ago Clinton, Iowa, was a large manufacturing point?

Mr. HINES. Yes.

Mr. HILL. W. J. Young, and Mr. Lamb, and others——

Mr. HINES. Yes; I know of them.

Mr. HILL. That has all disappeared?

Mr. HINES. Yes.

Mr. HILL. Why is that?

Mr. HINES. The same interests put their money into mills that were nearer to the point of the timber in order to cheapen the cost of transportation.

Mr. HILL. Could not that cheaper transportation be obtained by floating the logs?

Mr. HINES. Well, there would be the loss of the logs and the deterioration of the sap, etc.

Mr. HILL. I know a man who, some years ago, bought from Mr. Harvey, in Chicago, four carloads of 12, 14, and 16 foot beveled siding, absolutely clear, at $24 a thousand. Can it be produced now at all?

Mr. HINES. Yes; we would be glad to furnish it at that price. Where was that delivered at $24?

Mr. HILL. That was in New England.

Mr. HINES. The freight to New England is about 35 cents. It would cost about $2.50 a thousand to deliver it, and our price to-day at the same place would be $28 or $29 a thousand.

Mr. CLARK. If you really wanted to furnish lumber cheap to the man who builds houses—the small fellow—you would raft this lumber down the Mississippi River in the rough and then finish it at St. Louis or at some point of distribution down there, would you not?

Mr. HINES. No; I would not.

Mr. CLARK. What is all this hullabaloo for, then, about cheap water transportation?

Mr. HINES. Because, in the first place, in shipping that for immediate use in the houses I would dress it at the point where it is shipped, in order to save the freight rate. Lumber that is dressed pays one-third of the freight rate that undressed lumber pays.

Mr. CLARK. Now, this immense amount of land that is owned by Mr. Weyerhaeuser and his partners, including yourself——

Mr. HINES. I would like to say that I have no interest in the Weyerhaeuser company.

Mr. CLARK. I thought you stated a while ago that you were corelated with Mr. Weyerhaeuser.

Mr. HINES. He is a stockholder in my company, but I am not necessarily a stockholder in many of the interests that he has at all.

Mr. CLARK. That is, if Mr. Weyerhaeuser is a stockholder in one of your companies, that is different from your being a stockholder in one of his?

Mr. HINES. Unfortunately for me, it is. [Laughter.]

Digitized by Google

Mr. CLARK. Do you know whether Mr. Weyerhæuser bought 5,000,000 acres of the land that those interests have at $5 and $6 an acre?

Mr. HINES. They bought a large tract of timber from the Northern Pacific in 1898, but what the price was I do not know.

Mr. CLARK. Did you ever hear what the price was?

Mr. HINES. I do not think so.

Mr. CLARK. Has it not always been understood among lumbermen that he got a remarkable bargain by buying at $5 and $6 an acre?

Mr. HINES. I would like to say that at that time they had been trying to sell that land for a long period. At that time it did not seem to be remarkable; but since lumber has advanced, of course, it seems to have been a better trade.

Mr. CLARK. Was it not such a remarkable bargain that there was much newspaper talk of there being something crooked in the way he came to make the bargain?

Mr. HINES. I never heard anything of that kind.

Mr. CLARK. How much lumber is there on an acre, just roughly? I do not expect you to know exactly, or anybody else; but how much lumber is there, roughly, on an acre of this Weyerhæuser timber land in Oregon, Washington, and Idaho?

Mr. HINES. I think it runs all the way from twenty to fifty thousand to the acre, in a general way.

Mr. CLARK. And the stumpage on it is how much now?

Mr. HINES. The stumpage would be all the way to-day from 50 cents to $1.50.

Mr. CLARK. Is not the stumpage $3 a thousand?

Mr. HINES. Oh, no; that is a mistaken idea entirely.

Mr. CLARK. Do you suppose that you could manage to sell some at 50 cents stumpage?

Mr. HINES. I know we have been offered within a year some of the Oregon stumpage at those figures.

Mr. CLARK. But that is away off where you can not get to it, is it not?

Mr. HINES. No. The tract of the Weyerhæuser people in some places is off miles and miles from a railroad.

Mr. BOUTELL. Now, on this very important question of preserving our forests, I would like to ask whether the natural supply of lumber for Canada is not the United States, and is not the natural supply for the United States Canada? In other words, if there was not a stick of lumber growing in Canada to-day, would not its natural source of supply be the United States?

Mr. HINES. Oh, yes.

Mr. BOUTELL. And if there was not a stick of lumber growing in the United States, its natural source of supply would be Canada?

Mr. HINES. Certainly.

Mr. BOUTELL. In reference to preserving the forests, then, must we not take the stumpage of Canada and the stumpage of the United States as an entirety?

Mr. HINES. That would be the broad way of looking at it. I think so.

Mr. BOUTELL. Mr. Clark, in questioning you on this point, evidently with the view that the tariff was helping to preserve the United States forests, used this expression: "If Canada wishes to

Digitized by Google

denude her forests, why let it go." Now, if Canada completely denuded her forests for the benefit of Canada and the United States, then Canada in turn would draw all her lumber supply from the United States?

Mr. HINES. Yes; and deplete our country.

Mr. BOUTELL. So that, looking ahead, taking a broad view for the future generations, which this preservation of forests contemplates, is it material whether we denude all of the Canadian forests first, and then denude all of the United States forests, or whether we denude them both separately?

Mr. HINES. I think the latter plan would be the more advantageous.

Mr. BOUTELL. So that these gentlemen who are interested in the preserving of the forests must treat the Canadian and the United States forests as an entirety, and conceive some scheme more far-reaching than the tariff for reforestation?

Mr. HINES. Yes, sir.

Mr. BOUTELL. And for replanting, as they have in France, as the trees are destroyed? Is not that true?

Mr. HINES. I think that is the broad way of looking at the question.

Mr. BOUTELL. The whole forests of the United States and Canada must be taken as an entirety?

Mr. HINES. Yes, sir.

Mr. CLARK. Has not the Forestry Division of the Agricultural Department been trying to drive the people in that part of the country into burning this surface stuff in some careful and scientific way to prevent the destruction of the sapling growth that we have been talking about?

Mr. HINES. The lumbermen themselves are careful of the balance of their timber. Those who have the interest of the timber at heart naturally try to preserve it by attending to the burning themselves at certain times of the year, but a great many farmers up in that country who want to clear land will set fire to the timber.

Mr. CLARK. You do not undertake to say that a farmer up there will set fire to timber as valuable as the timber you have been testifying about here, do you?

Mr. HINES. Oh, no; but you spoke about the small saplings and timber of that kind. The farmers place more value on the land for farming than that small stuff amounts to. They go ahead at certain dry times and they endeavor to burn it off. Those fires sometimes catch onto other districts, and that is what causes the fires such as we have had.

Mr. CLARK. You have scalped that place so clean that in what was originally the finest white-pine region in the world you can travel miles and not see enough trees to remind you that there ever was a pine forest there.

Mr. HINES. But in all those districts there are the most beautiful farms in the country. You would not see a tree on them. They have been removed.

Mr. CLARK. You cut saplings now that only make strips 4 inches wide, do you not?

Mr. HINES. We do not cut timber that only makes 4-inch strips. The strips are about 6 inches.

Digitized by Google

Mr. RANDELL. I understood you to say, in answer to a question put by the gentleman from Alabama, that the question of competition would not reach below Kansas City, with reference to the lumber trade in the Southwest. You do not mean to say that the people who have to build the houses on the farms, on the prairies of the Southwest, would be able to do so as cheaply with the tariff off as they would with the tariff on, do you?

Mr. HINES. Yes; I do.

Mr. RANDELL. In other words, if we have a $2 tariff, they can build just as cheaply as if we did not have that tariff?

Mr. HINES. In that locality, yes; because the cost of transporting the lumber from Canada to Texas, Missouri, and Kansas would be so great that it would not affect the matter and make cheaper lumber there.

Mr. RANDELL. Do you not know that, not having a tariff, the highest point that the lumbermen could put their prices would be $2 lower than with the tariff?

Mr. HINES. I am basing my calculations on the present prices of lumber. I say if the duty was taken off to-day, with the present price of yellow pine, they could not afford to ship from Canada to Kansas or Texas for consumption, because the present price of yellow pine is so low in Texas, Missouri, and Kansas, and all that territory, that they could not compete with it.

Mr. RANDELL. Is there reason to believe that the price will not be raised?

Mr. HINES. Oh, of course some conditions may come up——

Mr. RANDELL. Do you not expect it to be raised very shortly, especially if the tariff is left? Do you not expect it to be very much higher?

Mr. HINES. I do not, for this reason. Of course this is in my own judgment, simply. I think there are so many mills in the States of Texas, Louisiana, Missouri, and Mississippi that to-day the production far exceeds the demand in that territory.

Mr. RANDELL. You said there were 28,000——

Mr. HINES. Mills.

Mr. RANDELL. In the United States. You do not mean that each mill has a separate owner, do you?

Mr. HINES. Yes; very largely. I should say that in 80 per cent of the cases they are owned separately and are entirely separate interests, no one mill having any interest in the others.

Mr. RANDELL. If you had to build farmhouses and farms, in building up the prairies of the Southwest, you would just as soon do that with the tariff as without the tariff, would you not—if you had to do it in the next twenty-five years? Would you do it as cheaply with the tariff as without it?

Mr. HINES. If I lived in Kansas, I think I would say yes, for this reason: The present manufacturers in this country being the largest buyers of farm products, if the lumber interest of this country is to go to Canada, you take away from here a tremendous buying power from those very same farmers. For that reason, if I were living in that territory, I would rather have a duty on it and have the lumber business, under that condition, than to have it taken away.

Digitized by Google

Mr. RANDELL. That is on account of your lumbermen eating so much Kansas corn?

Mr. HINES. Well, they have the horse question, and feed, and everything the farm produces.

Mr. RANDELL. You do not think there would be any limit to the price by taking the tariff off? That would not help to limit the price of lumber on the prairies of the Southwest?

Mr. HINES. I do not think it would affect the prairies of the Southwest at all. It would affect them in Illinois, Pennsylvania, and probably New York and some of the other larger places. It would not affect the Southwest at all. That is my judgment.

Mr. UNDERWOOD. In other words, your idea is that in coal, and to some extent in raw iron ore, lumber, and the heavy materials, there is a zone in which the freight rate limits the sale?

Mr. HINES. Yes.

Mr. UNDERWOOD. And outside of that zone nothing that happens affects it?

Mr. HINES. No; but the zone very largely affects it.

Mr. UNDERWOOD. But where this question would be vital would be the zone that strikes through Kansas City, Kentucky, and Pittsburg——

Mr. HINES. I should say that the zone would be from the Mississippi River on the west and the Ohio River on the south to the Atlantic coast and the Great Lakes on the north.

Mr. UNDERWOOD. That is the zone in which this problem comes up?

Mr. HINES. That is the great market.

Mr. RANDELL. Do you mean to say that if you were the man who furnished the lumber to west Texas, if you were the producer of that lumber, you would just as soon have the tariff off as on?

Mr. HINES. No; I do not. On the contrary.

Mr. RANDELL. If you were the consumer of the lumber, would you not rather have it off than on?

Mr. HINES. I will answer that in this way: All of the lumber that is produced in Texas is not used there. Some of it is used in Chicago.

Mr. RANDELL. Please do not misunderstand me. I am talking about the consumer of lumber, who builds the farmhouses, dwellings, and outhouses on the prairies of west Texas—the consumer.

Mr. HINES. The producer of that lumber sells only a part of the lumber in Texas. The balance is sold as far north as Chicago, and as far east, probably, as Buffalo. You can see cars of lumber in Buffalo and New York every day coming from Texas.

Mr. RANDELL. If lumber can be sent to Buffalo from Texas, why can not lumber from Michigan be sent to Texas?

Mr. HINES. Because the transportation from Canada to Texas is so much higher, proportionately.

Mr. RANDELL. It is a downhill pull all the way on the Mississippi River—unless the water runs uphill.

Mr. HINES. The railroad company does not regulate its rates by "downhill" or "uphill." The rates are regulated by distance.

Mr. RANDELL. Do you mean that we have not as fair a rate?

Mr. HINES. I would not put it in that way.

Mr. RANDELL. Suppose we did have a fair rate. Then you, as a lumber producer, would just as soon have the tariff off as on, would you?

Digitized by Google

Mr. HINES. Oh, no.

Mr. RANDELL. Then, as a lumber consumer, would you just as soon have it on or off? Which would you prefer?

Mr. HINES. I would prefer in both cases, in all fairness to the farmer in Kansas——

Mr. RANDELL. I am talking about west Texas.

Mr. HINES. I would prefer the duty on, on this article.

Mr. RANDELL. Both ways?

Mr. HINES. Absolutely.

J. A. BROWN, OF NORTH CAROLINA, URGES CONTINUED TARIFF PROTECTION FOR THE LUMBER INDUSTRY.

FRIDAY, *November 20, 1908.*

Mr. BROWN. Mr. Chairman, I am here, first, as a manufacturer; and I am also representing 2,300 mills in North and South Carolina and Virginia, manufacturing principally what is known as short-leaf pine, or North Carolina pine. The condition that has confronted the manufacturers in that section of the country for the last twelve months has been a deplorable one. Fifty per cent of the mills have been closed down, because they could not operate profitably. Ninety per cent of the output of those mills goes into the Eastern or Middle States' market—into Maryland, Pennsylvania, New York, and the different New England States.

We come directly into competition with the Canadian lumber in the western part of Pennsylvania and New York State, and that is the only thing we fear at all from the Canadian lumber, if the tariff is removed.

I have heard a great deal of discussion here to-day about the tariff, and its effect on the farmer and the lumberman. If I understand the tariff, it affects the man in the West as well as the man in the South or East. It does not make any difference what part of the country it is in.

Now, when we commence figuring on the cost of lumber as compared with ten years ago, I will say that I got lumber and put it on the cars at that time for $7.50 and $8 a thousand, rough yellow pine. The same lumber to-day brings about $14 a thousand.

Now, I want you to note the difference in the conditions and the cost of the product. I bought stumpage then at 25 cents per thousand, and I hired a negro for from 50 to 60 cents a day to operate the mill, and I bought my corn from Missouri and the other Western States at 59 cents a bushel, and I bought my hay for $12 a ton. To-day I pay the same negro laborer $1 to $1.25 and $1.50 per day, and we are paying $1 per bushel for corn, and from $1.50 to $2.50 for stumpage. So that it is costing us more than double to produce that lumber to-day what it did ten years ago; but we are not getting double the price for it.

Here is another condition that obtains there. In 1894, it is a remarkable fact that between Norfolk, Va., and Charleston, S. C., on the inland railroads, away from water transportation, where they were obliged to run down all the way and ship their product by water, there were but two mills in that distance of 400 miles between Norfolk, Va., and Charleston, S. C. That was under the former

Digitized by Google

conditions. To-day we have under the conditions that have existed for the last five years 2,300 mills in operation, employing 115,000 operatives; and dependent upon the lumber industry in those States are at least 600,000 people—50 per cent of whom have been out of employment for the last six months, because 50 per cent of the mills have been closed down and unable to operate.

I have heard a good bit about the question of a trust, and I happened to be a member and vice-president of the North Carolina Pine Association when the Government sent some secret service men into that territory to investigate and find out if we were not in a trust—and it frightened some of our members nearly to death. [Laughter.] Now, I do not know how you are going to call 2,300 little mills a trust, many of whom do not know how many mills there are in existence, with no ownership in common, and nothing in common, and the mills buying their products one from the other, sometimes at profitable prices. I have run my planing mill from the products of six other mills, three of which I have no interest in whatever. I simply buy their products—buying from members of the North Carolina Pine Association. I state this to remove forever any idea of any lumber trust. I do know that there has been a good deal of agitation all over the country about a lumber trust, and a great many people believe that such a thing does exist. I really think that they conscientiously believe that we have sat down and dictated the price at which lumber is sold all over this country.

It is not hard for a practical lumberman, or for anyone else, to understand why lumber is higher now than it has been. I have operated and cut lumber at $6.50 and $7 and $8 a thousand. Then we rolled the lumber right up to the side of a new railroad and sawed it and put it on the cars.

But that entire matter has changed throughout the South, as far as my knowledge extends. In other words, the lumber on the new railroads that have been built has been exhausted, and we have numbers of little mills to-day that are hauling the lumber on wagons for 6 miles to transportation.

On the question of protection, I take the broad stand that if tile and brick and steel and cement are protected, as they are from 30 to 60 per cent, the companion article entering into the very same building should be also protected, under the general principle of protection. I do not know why lumber should be singled out and the duty on that placed at 10 per cent when the companion article of cement is protected at 32 per cent. I do not know why lumber should be protected only 10 per cent when the grain of the West is protected 20 or 25 per cent, when it enters into our cost of production. I take the stand that if this country is to have a settled policy of protection, and we are going to have a protective tariff, I do not understand why the lumbermen should not enjoy a protective tariff as well as the steel manufacturer of Pennsylvania or any other point.

As far as the profit in the lumber business in the last twelve months is concerned, I asked one of the most eminent bankers the evening I left home how many lumber mills in the territory in which he dealt had failed in the last six months, and he answered, "25 per cent."

I know of a number of large mills in that territory now that are in the hands of a receiver, and have been for twelve months. I could name several of the mills the managers of which have told me

Digitized by Google

that they have operated for at least six years and have never paid but one dividend, even under the prosperous conditions that we have had.

Mr. CRUMPACKER. If the tariff had been $6 a thousand on lumber, there would have been substantially the same percentage of failures during the last year, would there not?

Mr. BROWN. I think so.

Mr. CRUMPACKER. So that the hard times now in the lumber business is in no sense attributable to the question of competition or tariff?

Mr. BROWN. I do not think it has been for the last twelve months; no.

Mr. CRUMPACKER. So that that argument would seem to me to have little bearing on this question.

Mr. BROWN. But they operated the year before, and should have made sufficient profit to have bridged over one bad year.

Mr. CRUMPACKER. Yes.

Mr. BROWN. Therefore their profits in the lumber business in that section have not been as great as the public generally supposes, because any man who operated the year before at a large profit should certainly be able to take care of a bad year, such as we have just gone through. Therefore it does have a bearing.

Mr. CLARK. What makes you pick out the worst year there has been since the Dingley bill was enacted to make your comparison?

Mr. BROWN. I am going back to the year when we were——

Mr. CLARK. You had identically the same Dingley rates when you were flourishing that you have now when you are in the hole?

Mr. BROWN. The lumber business has been gradually improving in our section of the country for the past ten years.

Mr. CLARK. I say, you had the same Dingley rates when you were flourishing in the last ten years that you have now when you are in the hole?

Mr. BROWN. That is true.

Mr. CLARK. If that is true, then the Dingley rate did not make the prosperity, unless it also got you in the hole, did it?

Mr. BROWN. There has been an overproduction of lumber for the last twelve months as compared with the demand.

Mr. CLARK. Do you expect Congress to pass a law to keep you making money when you have an overproduction of lumber?

Mr. BROWN. No, sir; but on the other hand——

Mr. CLARK. Now, the trouble about the whole thing is that when you first started in this sawmill business down on the lines of those railroads the trees were standing right along the right of way, and right next to it, and it cost nothing to get to it, and you made immense profits.

Mr. BROWN. No; I did not say that, because lumber was lower at that time and we did not make as much profit as we have made since.

Mr. CLARK. You never did make any profit in the ten years?

Mr. BROWN. Not at that period that you speak of.

Mr. CLARK. I am talking about this ten-year period.

Mr. BROWN. The timber was removed in our section long before the time of the advanced prices, and therefore we did not get the profit.

Mr. CLARK. But when you started in, the trees grew so close to the railroad that the transportation of the logs cost you practically nothing. You have cut out all that timber close to the railroads, and

Digitized by Google

now you have to do like other people. You have to haul the logs from a distance, like the people haul them out in Missouri.

Mr. BROWN. That is true.

Mr. CLARK. And you want the law now fixed so that it will make the same kind of conditions for you that you had when the railroads and the timber were right together?

Mr. BROWN. If we did not make money then, with the extremely low price, and the demand for lumber as low as it was at that time, then our opportunity for making it has gone.

Mr. CLARK. I understand your argument to be this: Because the steel trust gets an enormous tariff, and these other things that are used in your business get a very large tariff, that you want to be marked up with them?

Mr. BROWN. I am speaking of the principle of protection. If you are going to have protection, I say that one article should not stand alone.

Mr. CLARK. How would it be to mark them down with you?

Mr. BROWN. I have no objection to marking them down. I say emphatically that if it is the policy of this Government to go to free-trade conditions, if you put wheat and corn and other commodities on the free list, then lumber asks nothing, absolutely.

Mr. CLARK. Do you think that $2 a thousand on lumber is free trade?

Mr. BROWN. No, sir.

Mr. CLARK. How do you come to be talking about free trade, then?

Mr. BROWN. We do not want to have the $2 taken off.

Mr. CLARK. Suppose we took $1 off? How would that strike you?

Mr. BROWN. I think it would let in a lot of low-grade Canadian lumber.

Mr. CLARK. How much do you say you pay for Missouri corn now?

Mr. BROWN. The corn costs us $1 a bushel.

Mr. CLARK. How much is the freight rate on a bushel of corn from St. Louis to where you live?

Mr. BROWN. I do not know. From Chicago to my point is 23 cents. I remember that.

Mr. CLARK. You can buy all the corn you want in Chicago for 64 cents a bushel, or in St. Louis, either, and 23 cents added to that would make 87 cents. If you are paying $1 for Missouri corn or Illinois corn somebody is gouging you to the extent of 13 cents a bushel.

Mr. BROWN. The rate of 23 cents is to our seaboard. We have to add to that the cost of transportation to our point, and the cost of brokerage, which brings it up to $1.

Mr. CLARK. That is where the retailer comes in and skins the lumberman.

Mr. BROWN. I do not suppose that he could sell without some profit—say, 5 cents a bushel.

Mr. CLARK. Do you believe that this bogus tariff of 15 cents a bushel on corn ever put up the price of a bushel of American corn?

Mr. BROWN. Not that specific tariff; no. But I will tell you what I do find. I live at a point from which is shipped the largest quantity of strawberries in the world. Now, they ship to Pittsburg. The minute there is a depression in the iron market our people get

Digitized by Google

to running around almost crazy to know where they can dispose of them, because Pittsburg's labor is not employed.

Mr. CLARK. That is not what I asked you.

Mr. BROWN. I am explaining. I am trying to explain what you did ask. I believe that if that labor there was put down to the same starvation point, they would not be able to buy those strawberries.

Mr. CLARK. The secret of this collapse in the lumber business is that you have been speculating in the yellow pine until you got the price of yellow pine in the tree up above where it ought to have been.

Mr. BROWN. I think the stumpage is too high.

Mr. CLARK. And it grows out of the wild speculation that has taken place within the last three or four years.

Mr. BROWN. I do not own 5,000,000 feet of stumpage. I go out in the open market and buy the rough product and finish it. Yet last year I ran my mill without any profit—in fact, at a small loss. The other man is cutting the lumber at a starvation price.

Mr. CLARK. But that grew out of the collapse of business, or whatever you call it, that came under this blessed Dingley bill.

Mr. BROWN. That is true. Now, I do not want it to continue. That is all there is about it.

Mr. CLARK. But it came about under that bill. What do you want? Do you want an increase on lumber?

Mr. BROWN. I would rather have it increased if I have got to pay a high tariff on some other articles. I believe in the revision of the tariff.

Mr. CLARK. Do you believe in revising it up or down?

Mr. BROWN. The lower articles might be raised and the higher ones lowered. That is a question, I think, for you gentlemen to go into on the merits.

Mr. CLARK. That is what we are trying to do, but we can not take up but one schedule at a time.

Mr. BROWN. We can not get away from the fact that if this country has protection all articles are affected by it.

Mr. CLARK. You are in favor of raising the tariff, then?

Mr. BROWN. If I were going to revise and write the bill I should lower a great many of the schedules, I am frank to say.

Mr. CLARK. I am glad to hear that.

Mr. BROWN. For instance, I would like to have leather as cheap as I can get it to belt my mill. If a man were going to write it for his personal benefit he would make that provision.

Mr. CLARK. Do you know of any way to get leather cheaper? I will help you with that.

Mr. BROWN. I unquestionably think—I do not know what the tariff on that is——

Mr. CLARK. It is pretty high on leather and all leather products, and on hides.

The CHAIRMAN. The duty on leather is 20 per cent ad valorem, I think.

Mr. CLARK. The New England manufacturers that sell you this leather belting want the hides free, but they will not agree with me and with you and other people to take the tariff off of leather or cut it down to a reasonable price so that all can have a fair deal.

Digitized by Google

Mr. BROWN. You western men—I do not know whether you would personally, I will not say that, but I know that the average western farmer would seriously object to taking the duty off of hides.

Mr. CLARK. He would not object if you took it off of leather and leather products.

Mr. BROWN. Well, I should reduce it to a 10 per cent basis. I should reduce the higher articles, and when they were extremely low I would try to put them on as fair a footing with the other as possible. I would equalize it as near as possible; but I would not be willing personally, if I had the power, to strike the tariff off of every commodity in this country.

Mr. CLARK. Nobody wants to do that. That is, I have not heard of anybody that did.

Mr. BOUTELL. The people of North Carolina would not be anxious to have the tariff on furniture reduced, would they?

Mr. BROWN (to Mr. Clark). I understand they are asking that the $2 on lumber be taken off. Am I correct?

Mr. CLARK. Some ask that and some ask to put it at $1. We are trying to find out the facts so as to be fair and just in readjusting this tariff.

Mr. BROWN. If I were going to take a companion article, such as steel, iron, or cement, I would put the tariff on lumber up and reduce the others, and thus put them on a parity.

Mr. CLARK. Then you would cut down the tariff on leather and everything you use in manufacturing your lumber, would you not?

Mr. BROWN. Certainly, if I was going to do it for my own personal benefit; but if it is to be done for the country at large I would give consideration to all articles and reduce those that are extremely high.

Mr. CLARK. It is a universal grab game. [Laughter.]

Mr. BROWN. That is about the size of it. But that is the policy on which we have built this country up. I do not know whether I would call it a "grab game" or not, but you can not have one article protected and another not protected.

Mr. CLARK. You are right about that.

Mr. BROWN. If we are going to have protection, let us have it on lumber. That is my position.

Mr. CLARK. If you can induce the cement men and the rest of them to bring it down to where you are, then we might consider it.

Mr. BROWN. Then I can not see yet why lumber should be singled out and why you should take off the $2 which they are asking to have taken off.

Mr. CLARK. It is because the people have to build houses. They can not get along without them.

Mr. BROWN. They have to build houses out of concrete and steel and other materials, too.

Mr. CLARK. And they will build them out of concrete if the price of lumber does not go down.

Mr. BROWN. Well, we hope they will.

Mr. FORDNEY. If the tariff is a "grab game," the lumberman got the poorest "grab" in the bag, did he?

Mr. BROWN. That is what we have found to be the case recently.

Mr. BOUTELL. The people of North Carolina would not be anxious to reduce the tariff on furniture of low grades, would they?

Digitized by Google

Mr. BROWN. No; but if we are going to have protection we want it for every part of the country.

Mr. BOUTELL. Right in that line, we are going to raise $300,000,000 on imports. We can not do that without affecting the domestic industries——

Mr. BROWN. No.

Mr. BOUTELL. Without protecting them.

The CHAIRMAN. Certainly we can. We can raise $300,000,000 without protecting anything.

Mr. BOUTELL. Well, we are not going to.

The CHAIRMAN. Except Porto Rican coffee.

Mr. BOUTELL. The plan is to do the maximum amount of good and the minimum amount of evil.

Mr. BROWN. Unquestionably; I think so.

The CHAIRMAN. The duty on leather is 20 per cent ad valorem, and the duty on lumber is $2 a thousand, specific, which amounts to about 12 per cent. It was 21 per cent ten years ago, but it amounts to about 12 per cent now—perhaps a little more this year. Now, as a matter of fact, the ad valorem duty on leather and the specific duty of $2 on lumber equal an ad valorem of 12 per cent. Probably there is not a very great deal of difference because of the undervaluation on leather. The duty of 20 per cent probably is not worth much more than 12 per cent actually; so you are rather unfortunate in picking out your specification about the "grab game."

Mr. BROWN. I said, if I were going to make the tariff for my own special benefit, I would do that. I qualified it in that way. I said, if I were going to make the tariff for my own benefit and my own section alone, I would pick out the things we used, and take all the tariff off; but that I thought this committee was making the tariff for the country at large, and they could not pursue that course.

The CHAIRMAN. We are getting information, to see what we shall do.

Mr. BROWN. Certainly. I understand that.

Mr. UNDERWOOD. Let me ask you a question. You are a southern business man, and I would like to hear your view. Where an industry in this country is able to compete and to control the market against foreign competition, it must be in a pretty live condition, must it not?

Mr. BROWN. I should say so; yes, sir.

Mr. UNDERWOOD. Where an industry in this country has driven foreign competition out to such an extent that the foreign competition only amounts to a third of the market, it is pretty well controlling the market and fixing the prices, is it not?

Mr. BROWN. It would appear so upon its face; yes, sir.

Mr. UNDERWOOD. Then, in revising a tariff bill, where the tax now is prohibitive, is not that a good point to start to reduce, until you get down to where at least one-third of the market is showing some effect—as long as you control two-thirds of the market?

Mr. BROWN. Where the tariff is absolutely prohibitive, and where there is a complete control of the product, if you are going to start on any to reduce, that should be the one to start on.

Mr. UNDERWOOD. That is not only a revenue tariff and a protective tariff, but a monopolistic tariff.

Digitized by Google

Mr. BROWN. Certainly; but we think lumber is at the foot of the list. And yet these gentlemen come and ask us to remove the 10 per cent we have here now. That is what we are objecting to.

Mr. UNDERWOOD. Your ad valorem rate is now about 11 or 12 per cent on lumber, is it not?

Mr. BROWN. Yes, sir.

Mr. CLARK. The secret of your trouble about the furniture business is that the panic stopped the buying of furniture, practically?

Mr. BROWN. Yes.

Mr. CLARK. Now, you say there is no trust. If that is true, how did it happen that the Government got it into its head that there was a trust, and started out to hunt for it?

Mr. BROWN. I do not know. I could not tell you that.

Mr. CLARK. How many different mills did you say there were in the United States; or did you state that?

Mr. BROWN. There are 28,000 in the United States, I think. I did not state it.

Mr. CLARK. Most of them are very small portable sawmills, are they not——

Mr. BROWN. Well, a great many are.

Mr. CLARK. That do not count for anything in the management of the business——

Mr. BROWN. Well, you ask me to agree to that. I will say no. In our territory we have 2,300 in three States, and I know of only about 15 very large mills.

Mr. CLARK. They are nearly all small mills?

Mr. BROWN. Yes.

Mr. CLARK. They do not enter into the price of selling lumber at all, do they? They hardly enter into it?

Mr. BROWN. Yes, indeed.

Mr. CLARK. They do not have anything to say about it, do they?

Mr. BROWN. Yes, indeed.

Mr. CLARK. Locally they do?

Mr. BROWN. Yes.

Mr. CLARK. But as far as the general market is concerned the price of lumber is fixed by a few big mill owners, is it not?

Mr. BROWN. In our territory, when I left home, there were more buyers there than I have seen for a long time. They come from Philadelphia and New York and other places, and they go to the little mills and buy, and it is shipped to them.

Mr. CLARK. Is it not true that in the last few years the small mills have been disappearing and that they are all merged in the big companies, or largely so?

Mr. BROWN. Not in my section. I do not know of one such instance.

Mr. CLARK. The people of North Carolina have more undeveloped water power than any State in the Union, I believe?

Mr. BROWN. I think so.

Mr. CLARK. As they develop the water power do they use it for milling purposes?

Mr. BROWN. Not for sawmills.

Mr. CLARK. Why can they not use it?

Mr. BROWN. They must run the mills out to the timber, and they must do it by portable steam power.

Digitized by Google

Mr. CLARK. So there is no hope for cheaper lumber through the development of electricity by water power?

Mr. BROWN. Not in our State. The timber that is owned by the large companies is scattered all over the territory—1,000,000 here and 1,000,000 there.

Mr. CLARK. How far can you afford to haul the logs down there to the sawmills?

Mr. BROWN. Under the present conditions you can not afford to haul them a mile.

Mr. CLARK. The bottom has fallen clear out, has it?

Mr. BROWN. Under the conditions of 1908 I know we hauled the lumber, good heavy logs, to the mill and then hauled it 8 miles to the railroad and made a profit on the operation.

Mr. CLARK. In 1907 you mean?

Mr. BROWN. Yes.

Mr. CLARK. You said 1908.

Mr. BROWN. If I said 1908, it was incorrect. I have heard a good many men talk about the profits on lumber. I sold in 1908 four carloads of lumber at an average profit of $18 per thousand——

Mr. CLARK. In 1907.

Mr. BROWN. Yes; but I also sold along with that lumber 200,000 feet that I did not get a dollar's profit on. I picked out the better grades of that timber and got a very good, handsome profit on it, so that on the 200,000 feet I made a fair profit, because I had, on the extra large timber, gotten a profit which paid me a reasonable profit for handling the other.

Mr. CLARK. You have overstocked with lumber, have you?

Mr. BROWN. Yes; for the last several months.

Mr. CLARK. Why do you not let up on the rapid consumption of the forests, so that it will leave some for posterity?

Mr. BROWN. We are now; we have been forced to do it.

Mr. CLARK. I know you have.

Mr. BROWN. We can not control the little mill man.

Mr. CLARK. What is that?

Mr. BROWN. We can not control the little mill man. If it is his land and he has timber on it, he can cut it.

Mr. GRIGGS. What do you mean by a large mill?

Mr. BROWN. I mean one that will cut 50,000 feet of lumber per day.

Mr. GRIGGS. You say there are only 15 of those in your territory?

Mr. BROWN. I think there are about 25 or 30 of those larger mills in that territory, cutting from 50,000 up to about 100,000 feet.

Mr. GRIGGS. Do you operate in Georgia?

Mr. BROWN. Our territory does not extend that far—the territory of the association I represent. Now, gentlemen, I am interested in this question of the conservation and preservation of our forests, but I can not conceive how cheap lumber will cause any man to preserve his forests.

Mr. CLARK. I want to ask you a question right in that connection. The President appointed me on this commission for the conservation of natural resources, and Mr. Gifford Pinchot invited me to go down to North Carolina the other day with him. I could not do it on account of this hearing. He was going there to get up some kind of a scheme to preserve the timber, so that the water will not all run off.

Digitized by Google

Mr. BROWN. I want to say that I wrote Mr. Pinchot a personal letter asking him to come and look at the destruction of my timber, and to extend the gentleman an invitation to come along, to see where thousands of acres of timber have been burned to get pasturage.

Mr. CLARK. I wanted to go, but I could not, on account of this committee.

Mr. BROWN. You and I know that a negro will go out with a gun at night, and he will cut down a $25 tree to catch a 25-cent 'possum.

Mr. CLARK. If you clap him in jail, he will not do that.

Mr. BROWN. But the man who has land and who is getting $1.25 or $1 stumpage for it, does not care to catch the negro. It costs too much.

Mr. CLARK. If that is the case in North Carolina, what sense is there in this great propaganda which you say you are in favor of, and which I am in favor of, of the Government undertaking to preserve those forests down there to keep the country from drying up? If there is no way to compel the people of North Carolina themselves to help take care of the timber of North Carolina, what sense is there in the Federal Government undertaking to do that?

Mr. BROWN. Well, I believe that everything, almost, in this country is done by agitation. By the persistent agitation of that question the people will be stirred up, and they will take care of a thing like that. I believe that will help it.

Mr. CLARK. The only way to do it is to enforce the criminal law against those violations.

Mr. BROWN. I go on the broad principle that if you want it to be taken care of and make it valuable it will be taken care of.

Mr. CLARK. But you say that a negro will cut down the most valuable tree in North Carolina to catch an opossum. What does he care about the value of the tree?

Mr. BROWN. But the owner cares for it as soon as it becomes of value. When he gets 25 or 50 cents stumpage away back from the railroad, with no profit in getting it out, it is not valuable, and he does not care to protect it.

Mr. CLARK. It is a criminal offense in every State in the Union to go on a man's place and cut a tree down.

Mr. BROWN. I understand that.

Mr. POU. Under which condition do you think the destruction of forests has been the graver—under very low prices or under high prices?

Mr. BROWN. Under low prices—on the principle that a man will take care of anything that is valuable. Even a negro will do that. He is not cutting down the trees now for the 25-cent 'possum, as he used to, because the stumpage is worth more. It is a warning to him.

Mr. POU. You think that the high price of the lumber and the increase in the price of stumpage has been a great stimulus to the people to preserve their forests?

Mr. BROWN. Unquestionably. Now, let us take this question of preserving the forests. Suppose a man has 1,000 acres of land located 2 or 3 miles away. To put a warden there to catch the man who is cutting down the tree to get the 'possum, and to put the fires out, would cost him $25 a month, to keep the man there; and he can not afford to do it.

Digitized by Google

Mr. CLARK. Would not the growth of timber compensate him for that?

Mr. BROWN. Oh, no.

Mr. CLARK. On 3,000 acres?

Mr. BROWN. I said 1,000 acres.

Mr. CLARK. The growth of timber on 1,000 acres, you say, is not great enough in twelve months to pay $300 a year for a warden?

Mr. BROWN. No, sir; if it were, you would not have any use for this commission to preserve the forest, because it would produce itself so rapidly under favorable conditions that we would not be clamoring on this question now.

Mr. GRIGGS. You mean that it would not pay to make this expenditure of $300 a year on 1,000 acres.

Mr. BROWN. The timber does not grow in one year. If it did grow in one year, it would pay. Why, suppose a man undertook to protect 1,000 acres of land by putting a warden on it. It takes twenty-five years for it to grow in timber so that it is valuable.

Mr. FORDNEY. About what proportion of your product of logs is low grade?

Mr. BROWN. When this panic came on we sent to every man who was working in the woods, and we gave them instructions to cut the tree for the first and second cutting, and to leave the balance in the woods. Under that condition we have managed to raise the price of our manufactured product $1.76 per thousand. That is the only way we live. We have produced 3,000,000 feet of timber and wasted 2,000,000, and left it in the woods as worthless, because we can not market it under these conditions. In 1907, under those conditions, we did use the tree up close, and got a small profit for the low-grade timber.

Mr. FORDNEY. When Mr. Knapp stated this morning that the average was about 20 per cent, he did not get it very correctly, did he?

Mr. BROWN. We calculate that by cutting the timber close we will get about 20 or 25 per cent of a grade above No. 4.

Mr. FORDNEY. Mr. Brown, do you know of a lumber trust in this country?

Mr. BROWN. None whatever. There is absolutely none.

Mr. HILL. If you cut off the short-leaf pine forest, how many years will it take before it is ready to cut again?

Mr. BROWN. From the seed it will grow in twenty-five years to make a very fair amount of timber.

Mr. HILL. And the long-leaf pine does not grow that soon, does it?

Mr. BROWN. The long-leaf pine takes very much longer. I know the lumbermen in the South, down in the eastern part, where there is a great deal of moisture in the land, can cut over their land every five years and get a fair amount of cutting; but they do not cut below 12-inch timber, because it is not profitable to cut that small timber off.

Mr. HILL. How small do you cut?

Mr. BROWN. Not below 12 to 15 inches, and very little of that. That larger timber grows very rapidly, and will replace itself in from five to ten years. But that is of much more rapid growth within 100 miles of the coast than it is back in the hill lands. My experience is that in the State of Maine it takes two or three times as long as in that part of North Carolina, South Carolina, or Georgia.

Digitized by Google

Mr. BOUTELL. As a matter of fact, they have been cutting lumber more or less in North Carolina ever since Raleigh landed on North Carolina soil, over three centuries ago.

Mr. BROWN. Yes.

Mr. BOUTELL. For fear that it may not be brought out, I want to ask you this: North Carolina is the largest, or next to the largest, furniture producer in the United States?

Mr. BROWN. I do not know that our factories are the largest, but we produce, I think, the second largest output in the United States.

Mr. BOUTELL. Do you know how many spindles there are in operation in cotton factories in North Carolina at present?

Mr. BROWN. I can not recall; but we manufacture more cotton than we produce.

Mr. GRIGGS. You say you are the second?

Mr. BROWN. In the number of mills; but our mills are not so large. We consume more cotton than we produce. The number of spindles I can not give you now.

Mr. BOUTELL. I wanted to compare them with the number twelve years ago, but I can probably find that out from some other witness.

STATEMENT OF J. A. FREEMAN, OF ST. LOUIS, MO., WHO WISHES PRESENT DUTIES ON LUMBER MAINTAINED.

FRIDAY, *November 20, 1908.*

Mr. FREEMAN. Mr. Chairman and gentlemen, I am here as a representative of the Freeman & Smith Lumber Company, of St. Louis, Mo.

In view of the fact, Mr. Chairman, that quite a number of other gentlemen desire to be heard in this matter, may I consistently suggest or request that I may receive the usual courtesy of this hearing and have the principal part of the cross-examination come later in my testimony?

The CHAIRMAN. You mean you want to complete your statement without being cross-examined at all?

Mr. FREEMAN. Not entirely. I have no objection to interruption or cross-examination, but it is easy to confuse those of us who are not used to much public speaking, and we sometimes get off the drift of our remarks, and I very much fear that I might fall into that calamity.

Mr. BOUTELL. I suggest the witness continue and signify when he is ready to be interrogated.

The CHAIRMAN. I think that will be more satisfactory. You may proceed upon that basis, Mr. Freeman.

Mr. FREEMAN. I have selected for a brief consideration on this whole topic the lines of objection that are made to the present tariff on lumber. I believe that the lumbermen as a class, while believing that the present tariff duty is far from an excessive one, and it is doubtful if it can be defended as an adequate one in comparison with our general tariff schedules, are ready and willing to let well enough alone and to continue, if may be, the prosperous conditions we have enjoyed for a number of years.

Digitized by Google

Now, in considering the details of the objection that is made to our contentions, I wish to take them up in order. The first point I wish to dwell upon, and very briefly, is the general subject of tariff legislation.

Personally—and I think I am speaking for a great majority of the lumbermen—I believe and have been taught to believe in the doctrine of protection to American industries. I have no academic argument to make on that question. Most of the time since the war I have been an observer, as all of you gentlemen doubtless have, of the practical workings of the protective and the antiprotective systems, so called.

The CHAIRMAN. You will pardon us, but we do not care to hear any discussion of the doctrine of protection, especially at this hour and this day.

Mr. FREEMAN. I beg your pardon. I perhaps should state that I have no purpose of getting into a general tariff discussion, only I wish to say this, that observation has taught us that a general, adequate protection has resulted generally in a pretty good condition throughout the country at large, and to our particular industry. When, about ten years ago, it was necessary for us to make a strong effort to secure the placing of lumber upon the tariff list, we then began a period of fair prosperity, not reaching its culmination until a little more than a year ago.

Now, I am not disposed to claim, but I want to disclaim at once, that the whole of the prosperity coming to the lumber industry has been the result of tariff conditions; nor do I for one moment allow that the tariff conditions are chargeable with the calamities that have befallen us in the past year.

The CHAIRMAN. We have heard that argument a great many times. You will please abandon that and come down to facts in reference to the statement you have to present.

Mr. FREEMAN. That is a pertinent fact in regard to our industry.

The CHAIRMAN. We know all about prosperity. We have not been here for nothing.

Mr. FREEMAN. I desire to continue that no further, if the committee please.

I want to take up the question of cheap lumber for the consumer, and I am compelled to come back a little to the same proposition. I do believe, if you will pardon the suggestion, a good deal of confusion has arisen in my mind to-day in listening to the testimony as to the probable effect of putting lumber on the free list. Whether I am to decide, or whether you gentlemen can decide from the testimony you have heard, that the effect is going to be to make cheap lumber or make dearer lumber, I am seriously in doubt. But I do know this, that if you propose to enter upon a condition of things in this country that makes our people generally not prosperous, we are likely to have cheap lumber enough and nothing with which to buy the cheap lumber.

Our farmer, who seems to be the beneficiary of most of our consideration, wants most of all the home market. Nothing helps to furnish him that home market more than does the industry we represent. The prices at which lumber may be sold now or at any other time are simply questions of supply and demand. We who manufacture lumber have been confronted two or three times, within the times of the

Digitized by Google

greatest prosperity we have ever had, with the fact that we were producing more lumber in America than the American people wanted to consume, and every effort we have made to curtail our output has been met with the cry that we were engaged in a conspiracy and the forces of the Government must be put upon us to put a stop to it.

I cheerfully consent, however, to the doctrine that the tariff reduced upon lumber will, for a time at least, give to the farmer and to the consumer a little cheaper lumber. But there will follow other calamities that will very much more than offset it.

The next point to which I wish to direct your attention is the doctrine of reciprocity. It is a great big, large word that has sounded well and has been pretty generally used. My own candid conviction is that as a practical proposition reciprocity has resulted simply in our being asked to give up something we do not want to give up in order to get something we do not care very much whether we get.

A very substantial argument that has been produced against the retention of the tariff on lumber has been the hue and cry that our dear newspaper friends and the interesting yellow-back magazines have promulgated, that there is a wonderful lumber trust. I do not think that I desire to impeach the intelligence of the members of this committee, despite any of their suggestions to the contrary, that down deep in their hearts a single one of them believes such a thing as a lumber trust exists in the United States to-day.

Mr. GRIGGS. You take the liberty of impeaching me in that line——

The CHAIRMAN. I thought it was understood the witness was not to be interrupted?

Mr. GRIGGS. No; he said he could be interrupted.

The CHAIRMAN. Have you concluded your statement?

Mr. FREEMAN. If he wishes to ask a question; yes, sir.

The CHAIRMAN. If you have not concluded your statement, you may go on. I understand you have concluded your statement?

Mr. FREEMAN. No, sir; I have not.

Mr. GRIGGS. Then I will not interrupt you.

Mr. FREEMAN. I simply state this, that all of this talk suggests to my mind this situation: If there is a gentleman on this committee or any other place who seriously in his mind entertains the idea that there exists such a thing as a lumber trust to-day in the United States I will guarantee cheerfully to convince him to the contrary, if he will give me the opportunity.

The CHAIRMAN. Will you permit a suggestion? Instead of trying to read the committee's minds suppose you say what you are trying to say.

Mr. FREEMAN. That is my method of saying that there is no lumber trust.

The CHAIRMAN. That is no argument of interest to this committee at all.

Mr. FREEMAN. If any gentleman wishes proof of it I think I can furnish it to him.

On the practical question of forest conservation I frankly admit that if I could be shown that a reduction of the tariff or a removal of tariff duty would substantially improve the opportunities for forest reproduction in the United States, I should be quite willing to yield a good deal of my opinion in the matter. There is but one way by which you can ever conserve the forests. You may have all of the

Digitized by Google

recommendations and all of the schemes that you care to devise. It can only be done by making the forests worth conserving. Frankly that means higher-priced lumber. If it is desired to conserve the forests of the United States it can only be done by making those forests worth taking care of; by making it so that the owner of them, in the production of his lumber, will use up the product that is now going to waste.

It has been testified to-day that we only have about thirty years' supply of timber in this country, and if we love our country it is necessary for us to do something to save that for posterity; and only having thirty years they propose to introduce and bring in here, for the destruction of a present prosperity, enough more timber, at their own calculations, to last only about ten or fifteen years longer.

Mr. GRIGGS. I do not understand that statement.

Mr. FREEMAN. Very well. There is about one-half as much timber in Canada and British Columbia as there is in the whole of America.

Mr. GRIGGS. You say we only have thirty years' supply in this country?

Mr. FREEMAN. Yes; and add to it one-half of the amount which they have in Canada and that would make forty-five years. I said fifteen years longer.

Mr. GRIGGS. I understand your proposition now.

Mr. FREEMAN. In 1803 I believe a commission was appointed to discover something about the forest reserves of the Louisiana Purchase, and after a considerable survey and examination reported to their superiors that the forests of the Louisiana Purchase were not worth considering; that, as a matter of fact, they had been, nearly all of them, cut away.

Mr. CLARK. 1803?

Mr. FREEMAN. Yes.

Mr. CLARK. That is the year we got the Louisiana Purchase?

Mr. FREEMAN. Yes; that is the year we got it. The forests had been cut away by the Indians. I simply bring that in to illustrate the value sometimes of statistics.

Mr. CLARK. Who cut it off—the Indians?

Mr. FREEMAN. I presume it must have been Lo, the poor Indian.

Mr. RANDELL. Who made a statement to that effect?

Mr. FREEMAN. I can not give you the name at this time. You will find it in an old report that was made at the time.

Mr. GRIGGS. Nobody from Missouri made it?

Mr. FREEMAN. No; I think the man from Missouri would have to be shown differently.

The CHAIRMAN. Was it a report made by the Government?

Mr. FREEMAN. No, sir; I said, or intended to say, by some parties in interest.

The CHAIRMAN. To whom was it made?

Mr. FREEMAN. I can not answer that question. I am not giving it as an absolute fact, but as an illustration of the value of statistics. It has been placed upon record, and I think I can secure the means of information, but I do not have it at hand.

I do want to say in all sincerity that, in addition to the making of timber valuable and worth conserving, there is one other thing that has to be done, and the forestry department has well recognized

Digitized by Google

that from the beginning—that is, it is necessary to have an organized force which shall receive the cooperation of the actual owners of the timber to be conserved. That is a simple proposition. Now, do those people believe that by an attack upon this industry they are going to secure that cooperation? Is it human nature that they are going to secure it that way? I venture the prediction that if the tariff on lumber is reduced at this time, the whole scheme of forestry restoration and conservation will be practically dead for the next ten years.

There is only one other matter to which I wish to allude. The people who are making the cry, who are appearing before you, are just in the same attitude exactly as we are. They are all interested parties. I have been a little surprised that possibly the Governor-General of Canada has not been before this committee to plead his cause. Gentlemen from this country, ten years ago, when we were making a strong effort to secure this tariff of $2 per thousand, men high in the service of their country, who had made great fortunes in the white pine of the North, had stripped off the timber from the lands, had invested those fortunes in Canadian timber, and used every effort in their power to persuade the Ways and Means Committee of the House of Representatives to give them free lumber at that time and not to put a tariff on, created a condition very similar to the condition with which we are confronted at this time. Gentlemen who have made their money in American woods, have cut over their timber, have gone and forsaken their brethren in this country, and have invested their savings in Canadian stumpage, and they will be mighty glad to have us help them at this time. I do not blame them. I do not believe, however, that it should be the policy of our Congress to aid them or give them any such support.

That is all I have to offer.

Mr. GRIGGS. Under the conditions you state, they ought not to have very large savings to invest in that timber. Under the conditions which existed before the tariff was put on the lumber they ought not to have very large savings to invest anywhere, it seems to me.

Mr. FREEMAN. No, sir; I have not made that statement anywhere.

Mr. GRIGGS. You said our brethren have left us with their savings.

Mr. FREEMAN. They have taken the savings with them that they have made and have forsaken our side of the question and have gone into Canada and have procured their future timber supplies there.

Mr. CLARK. You say you are willing to give up part of your opinion to see this reforestation scheme worked all around?

Mr. FREEMAN. Yes, sir.

Mr. CLARK. But you are not willing to give up any of your tariff?

Mr. FREEMAN. Yes, sir; I think when I said I would give up my opinion it would mean if I could be convinced that that would conserve our forests, I would be willing to do that; but it would take a whole lot of testimony to convince me, I will admit.

Mr. CLARK. The President of the United States has been voluble and vociferous on that subject, has he not?

Mr. FREEMAN. I think my friend Captain White made reply to that, which I would hardly dare to make.

Mr. CLARK. You need not repeat it.

Digitized by Google

Now, Mr. Freeman, if there is no lumber trust, then how does it happen that there is such a wonderful uniformity of prices?

Mr. FREEMAN. I have thought of that question, of course. I will have to answer to that just as I have to the question about trusts. I say there is no trust. I affirm with equal confidence there is no unanimity or uniformity of prices. I will say, further, we can give you the proof of that if you will call at my office in St. Louis at any time; or, if you will send an agent there, I will offer you abundant proof to the contrary.

Mr. CLARK. The first time I am in St. Louis I will call upon you.

Mr. UNDERWOOD. Suppose you file that information as a part of your remarks, showing there is no uniformity of prices? Can you do that very easily?

Mr. FREEMAN. I would have to do it this way. I could simply have the gentleman accompany me to a half a dozen different concerns and let him ask them what they would take for certain commodities at that time or any other time.

Let me state with all sincerity, and I think I can back this up—I think there are plenty of gentlemen here who know that it is true—that there never has been a time, even in the most prosperous times, when very many of the articles on the lumber list could not be obtained at varying prices at any market in the United States at any time, a variation of from one to three dollars.

Mr. GRIGGS. That is due to the freight rates?

Mr. FREEMAN. No, sir; in the same market, under the same conditions. Take the city of St. Louis, and I have never known a time when I could not have gone out and bought lumber there at a variation of from one to three dollars per thousand, on almost any item on the list. Of course, there are a few times when there may be an exception, when some particular item is short in supply.

Mr. CLARK. Do you own timber lands, as well as manufacture lumber?

Mr. FREEMAN. Yes, sir.

Mr. CLARK. Where are your lands?

Mr. FREEMAN. In Arkansas.

Mr. CLARK. Yellow pine?

Mr. FREEMAN. Yes, sir; short-leaf yellow pine.

Mr. CLARK. How many acres have you?

Mr. FREEMAN. About 33,000 to 35,000 acres.

Mr. CLARK. Bought at $2 or $3 an acre?

Mr. FREEMAN. No, sir; unfortunately I did not; but I did buy it a good deal less than it is worth to-day. I could have bought it, if I had had the courage of my convictions and a little more money, at a good deal less than $2. I went there nearly eighteen years ago. I could have bought it at $1.25 an acre.

Digitized by Google

STATEMENT OF C. W. NIBLEY, OF LA GRANDE, OREG., WHO URGES CONTINUED PROTECTION FOR THE LUMBER BUSINESS.

FRIDAY, *November 20, 1908.*

Mr. NIBLEY. Mr. Chairman, I shall not detain you long. I just want to say in regard to the price of lumber, about which we have had some question, that the price of lumber in Portland, Oreg., now is as low as it was ten years ago on all rough lumber.

Mr. HILL. Was that true last year?

Mr. NIBLEY. No, sir; it is less now than it was last year, but you can buy to-day in Oregon all kinds of rough lumber at as low prices as you could in 1898, ten years ago. We are not in favor of the tariff being reduced or taken off of lumber. We think it would hurt our business. We have a right to ask, we think, that it be continued at least as it is. As to the idea of the President of the United States or Mr. Pinchot, that taking the tariff from Canadian lumber would save our forests, I think we can show you a more excellent way. I am going to air this subject a little here, because I think it is proper, Mr. Chairman, at this time.

The stump land, land that has been cut off and denuded, has been disposed of in this way in our section of the country. We have sold in eastern Oregon—and when I say we, I mean my company alone—40,000 acres to sheepmen for pasturage. That hill and mountain land is worth little for anything else after the trees are cut off of it. It is not the best pasturage in the world, but we have rented some to the sheepmen for from 8 to 10 cents an acre per year for pasturage. Now, why could not, and why should not the Government, if it wants this land for reforestation—and it does, doubtless—secure that same land instead of the sheepmen getting it? Buy it, condemn it, give the Government the right to condemn, if necessary, and your registers and receivers in the different land offices and land districts may be made the judges of the value of the land, and secure this land for reforestation instead of turning it over to the sheepmen. The amount that would be received by grazing sheep on that land would pay the interest on the investment.

Mr. UNDERWOOD. Would sheep interfere with reforestation?

Mr. NIBLEY. No, sir; not after the trees get started a little to grow. On the very young trees they will cut the bark, but after they grow a little the sheep do not bother them. Cattle can be grazed on that land right from the beginning, and produce some revenue. So there is a chance not only for thousands and tens of thousands, but millions of acres to grow timber, and if it were a country different from ours, steps would be taken to handle that matter in a practical way. It is what you would do and what I would do, and it can be done, and done easily. It is feasible and practicable.

Mr. UNDERWOOD. Why do not the citizens do it?

Mr. NIBLEY. What is everybody's business is nobody's business. I do not care to do it. We sold to the sheepmen.

Now, as to the famine of timber: We all know that in the West, in that warm, generous climate, trees will grow in twenty-five to thirty years from the seed or a small sapling, to 18 or 20 or 24 inches in diameter. We have timber on hand estimated to be sufficient to last us thirty years, and with the Canadian timber, forty-five years. We

Digitized by Google

can produce timber in thirty years and do it easily. There is no great danger of timber famine if the timber interests are taken hold of in some practicable and feasible way, which I think I have suggested.

I have some photographs here which I shall be glad to submit to the committee, together with statistics showing the cost of houses, the amount of lumber that enters into them, and showing that those houses are built in the city of Portland at remarkably low figures. You will be surprised when I tell you that the plumbing in the house is substantially the cost of the lumber—that is to say, the plumbing costs as much as the lumber.

Mr. BOUTELL. That is no surprise to me.

Mr. NIBLEY. Here is a photograph of a house which was taken July, 1908; estimated cost of a six-apartment building, Benton street, Portland, Oreg. I will not take time to read all the details, but will hand these pictures around for the members of the committee to examine. The statistics accompanying the photograph show the cost of excavating, grading, plumbing, painting, plastering, brickwork, tin roof, window and frame work, heating plant, lumber, carpenter work, etc. This is a $9,000 building. The lumber was only $624. The plumbing in this building was $1,320. That, however, is an extreme case. Here is another one that is just a lumber house entire, with a concrete foundation. Here is a lumber house that cost $4,500. There are 28,000 feet of lumber in it, which in Portland cost $518.

The CHAIRMAN. Those statistics are given on the backs of those photographs?

Mr. NIBLEY. Yes, sir.

The CHAIRMAN. Then you may hand them up to the committee, and we will look at them at our leisure.

Mr. NIBLEY. Yes, sir; I will do so. I would just like to say as to common and high-grade lumber, that in eastern Oregon, where I live, we do not get 10 per cent of the high grade. There is 90 per cent of our trees that is common stock. So that if the tariff is taken off and the cheap lumber is allowed to come into our country, we are just that much worse off.

I do not know, gentlemen, that I shall detain you any longer. I will present these photographs to you and would like to have you look at them.

The CHAIRMAN. I think you said at present prices you could not ship any rough lumber out of the State?

Mr. NIBLEY. Oh, no; we ship out. We ship as far as Kansas and Nebraska.

The CHAIRMAN. I thought you said the present prices would not enable you to do so?

Mr. NIBLEY. Oh, no; we ship the high-grade lumber.

The CHAIRMAN. Do you send by sea or rail, or both?

Mr. NIBLEY. By rail pretty much.

The CHAIRMAN. Is there any shipped from there by sea?

Mr. NIBLEY. Yes, sir; from Portland; but I am inland.

The CHAIRMAN. You have had pretty good prices for it in the past ten years, up to about a year ago?

Mr. NIBLEY. In 1907, very good prices; yes, sir. This year anything but good prices.

The CHAIRMAN. What was the condition generally? Was the industry prosperous?

Digitized by Google

Mr. NIBLEY. Yes, sir.

The CHAIRMAN. And the present depression is because of the depression in trade generally, is it not?

Mr. NIBLEY. I think that is true; yes, sir.

The CHAIRMAN. There is not so much building going on?

Mr. NIBLEY. Yes, sir.

The CHAIRMAN. But there is an improvement in that respect?

Mr. NIBLEY. I think there is.

The CHAIRMAN. With a run of prosperity, there would be a great demand for your lumber?

Mr. NIBLEY. There is sure to be in time.

The CHAIRMAN. I suppose you have not exhausted in a great measure your lumber resources on the Pacific slope?

Mr. NIBLEY. No; we have a very large amount of stumpage yet.

The CHAIRMAN. Do you not think it would be better for you to wait before you cut it all off, and get some of the high prices that will come ten or fifteen years hence, after the lumber stumpage in the United States is cut off? Do you not think it would be a blessing to you if it came that way?

Mr. NIBLEY. My banker will not let me wait. The sheriff would get me, probably.

The CHAIRMAN. Are you so badly off as that, after ten years of prosperity?

Mr. NIBLEY. Liable to be; yes.

The CHAIRMAN. You must cut this lumber all off, notwithstanding ten years of prosperity which you have had?

Mr. NIBLEY. Not cut it all off, but I must keep my mills going or else discharge a great number of men that are depending on them for employment.

The CHAIRMAN. Could you not honestly afford to take a little less profit than you have for the past ten years?

Mr. NIBLEY. No, sir; I do not think so.

The CHAIRMAN. And keep the sheriff away?

Mr. NIBLEY. No, sir; I do not think so.

The CHAIRMAN. Is the margin so small as that?

Mr. NIBLEY. Yes, sir; we have only made a fair and reasonable profit in the ten years.

The CHAIRMAN. How much did you make in the year 1906?

Mr. NIBLEY. I could not say offhand; probably 10 or 15 per cent on our investment.

The CHAIRMAN. Have you averaged that for a number of years prior to 1906?

Mr. NIBLEY. No; prior to that it was less; some years very much less.

The CHAIRMAN. From 1900 to 1906, what was the leanest year?

Mr. NIBLEY. Between 1900 and 1906? We have always averaged close to 10 per cent in our business.

The CHAIRMAN. You have averaged 10 per cent?

Mr. NIBLEY. Yes; close to 10 per cent.

The CHAIRMAN. Are you sure the reducing or the taking off of the duty would make any difference in prices?

Mr. NIBLEY. I think it would.

The CHAIRMAN. Are you familiar with the cost of manufacturing lumber in Canada?

Digitized by Google

Mr. NIBLEY. Not very familiar; no.

The CHAIRMAN. Suppose it should turn out that they had to pay as much for labor there, or even more than you pay, and that the machinery was brought there, imported from the United States and paying a duty of 30 per cent under their tariff, because there was no competition, would they still be in as favorable a position as you to supply the United States?

Mr. NIBLEY. To some parts of the United States they would be in very much more favorable position than we.

The CHAIRMAN. I was speaking of British Columbia.

Mr. NIBLEY. I, too, am speaking of British Columbia.

The CHAIRMAN. So near you?

Mr. NIBLEY. They could send lumber by the Canadian Pacific Railroad into certain markets in the East for less than we could, because of the freight rate.

The CHAIRMAN. The freight is less?

Mr. NIBLEY. Yes, sir.

The CHAIRMAN. How much less?

Mr. NIBLEY. I could not say.

The CHAIRMAN. Have you any idea about it?

Mr. NIBLEY. Since we have been here we have had that question up.

The CHAIRMAN. If you do not know that, you can not determine whether on the whole they have any advantage or not without the duty.

Mr. NIBLEY. I have understood the difference in freight was something like $2 or $3 per thousand feet.

The CHAIRMAN. How much?

Mr. NIBLEY. Two or three dollars per thousand feet of lumber.

The CHAIRMAN. But you do not know how much more they pay for machinery or how much more they pay for labor?

Mr. NIBLEY. No, I do not. I know they do not pay, as a rule, any more for labor. They pay less in most cases.

Mr. FORDNEY. Do you export any?

Mr. NIBLEY. No, sir.

Mr. FORDNEY. In the make-up in the cost of your lumber there is a vast difference in the price of stumpage in British Columbia as compared to Washington and Oregon, is there not?

Mr. NIBLEY. Yes, sir; I believe so.

Mr. FORDNEY. That would hurt very materially, would it not, if that timber came in competition with yours?

Mr. NIBLEY. That is our judgment.

Mr. FORDNEY. Especially on your low grade?

Mr. NIBLEY. Yes, sir.

Mr. FORDNEY. What portion of your product is low grade?

Mr. NIBLEY. Our proportion in eastern Oregon is nearly 90 per cent low grade.

Mr. FORDNEY. That is under clear, you mean?

Mr. NIBLEY. Yes, sir.

Mr. FORDNEY. Take out your good common.

Mr. NIBLEY. There is about 40 per cent of that.

Mr. FORDNEY. Where do you market the most of that 40 per cent?

Mr. NIBLEY. In Idaho and near-by States.

Mr. FORDNEY. You do not get very far away with it, on account of high freight rates?

Digitized by Google

Mr. NIBLEY. That is correct.

Mr. FORDNEY. The low grade from Canada, coming in competition with your lumber, would greatly or materially interfere with your business, would it not?

Mr. NIBLEY. Well, it would just depress the market that much; yes, sir.

Mr. FORDNEY. You do leave a large per cent of your low grade in the woods now?

Mr. NIBLEY. We do now, when lumber is so much cheaper than it has been.

Mr. FORDNEY. That $2 tariff on lumber does not seem to affect your market nearly so much as when there are prevailing low prices like there are now?

Mr. NIBLEY. No, sir.

The CHAIRMAN. When lumber is high, you do not need the duty?

Mr. NIBLEY. If it were high enough, we would not.

The CHAIRMAN. In 1896 you did not need the duty, did you?

Mr. NIBLEY. I do not know about that. I would not want to say offhand.

The CHAIRMAN. It is your opinion, or can you give an opinion?

Mr. NIBLEY. Yes; I can give an opinion that I think lumber should have its reasonable share of protection just the same as iron or steel or any other commodity. That is my opinion.

The CHAIRMAN. Some one said a few moments ago that 80 per cent of the cost of lumber was labor. Is that true?

Mr. NIBLEY. Substantially so.

The CHAIRMAN. That was the cost of production?

Mr. NIBLEY. Yes; not including stumpage.

The CHAIRMAN. No; I said labor. Of course that would not include stumpage.

Mr. FORDNEY. You said labor was 80 per cent of the cost of production. That is not right, if you include stumpage?

Mr. NIBLEY. The 80 per cent I would take to be labor, and about 20 per cent to be other incidental charges outside of stumpage.

Mr. FORDNEY. To answer the chairman, labor is not all the cost that enters into the cost of production of lumber?

Mr. NIBLEY. No, sir.

Mr. FORDNEY. It did not include stumpage, and stumpage is an item in the question when put on the market?

Mr. NIBLEY. Stumpage is certainly a matter to be considered.

Mr. CLARK. The price of lumber, when you get through with it, ready to deliver it, is made up of the stumpage plus the labor?

Mr. NIBLEY. Yes, sir.

Mr. CLARK. That is the whole of it?

Mr. NIBLEY. And what profit we put on.

Mr. CLARK. Except the interest on your plant?

Mr. NIBLEY. Yes, sir.

Mr. CLARK. Then, the cost of lumber f. o. b. the cars nearest to your place is stumpage plus labor plus interest plus wear and tear on machinery. How much of the total is labor, in per cent?

Mr. NIBLEY. I should say of the total probably 70 per cent is labor.

Mr. CLARK. It got right back close to where it started from.

Digitized by Google

Mr. NIBLEY. About 70 per cent is labor. Some places it is more, and some places it is less.

Mr. CLARK. How do the Canadians happen to get such a lower freight rate than you do?

Mr. NIBLEY. I do not know. The managers of the Canadian Pacific Railway could probably enlighten us on that.

Mr. CLARK. We might get some enlightenment on this side of the line.

Mr. NIBLEY. I could not tell you as to freight rates, why they are higher here.

Mr. CALDERHEAD. Do you ship to Kansas or Nebraska?

Mr. NIBLEY. Yes, sir.

Mr. CALDERHEAD. To Lincoln and Kansas City?

Mr. NIBLEY. Yes, sir; a little as far as Lincoln; practically in western Kansas and western Nebraska.

Mr. CALDERHEAD. Over what road do you ship?

Mr. NIBLEY. Mostly over the Union Pacific.

Mr. CLARK. Where is LeGrande located?

Mr. NIBLEY. Three hundred miles this side of Portland, Oreg.

Mr. CLARK. This difference in freight rate you are talking about over the Canadian road and the American roads, is from some central point where they determine freight rates, or is it all along the line locally?

Mr. NIBLEY. From western Canada—for example, British Columbia country.

Mr. CLARK. What is the point in Oregon that fixes the freight rates? Is it Portland?

Mr. NIBLEY. We have a less rate to certain points east than Portland does, to certain nearby points.

Mr. CLARK. But you have the same rate from your point as does Portland to Kansas City or Chicago?

Mr. NIBLEY. Yes, sir; from Portland or eastern Oregon we have to pay the same rate.

Mr. UNDERWOOD. When you go west, the freight of your Canadian competitors equalizes the situation, but when you go south along the coast you have the advantage of freight, do you not?

Mr. NIBLEY. We do not reach with our product farther east, except on some shop lumber. We send a little of that into Chicago and Milwaukee, but as a rule our lumber is sold in the interior.

Mr. UNDERWOOD. Going westward, the freight rates equalize themselves. In other words, the Canadian shipper can ship as cheap as you can, but going down the Pacific coast the freight rates are in your favor, are they not?

Mr. NIBLEY. They would be, I suppose; yes, sir.

Mr. UNDERWOOD. How much in your favor are they?

Mr. NIBLEY. I could not give you that. I could not tell you how much that is, because I am not posted on those Canadian freight rates.

Mr. UNDERWOOD. Do you sell any large proportion of your output down the coast southward?

Mr. NIBLEY. No, sir. We come east by rail nearly altogether.

Mr. UNDERWOOD. What was the amount of your profits on run-of-mill per thousand during the ten years preceding 1907, on an estimate?

Digitized by Google

Mr. NIBLEY. That would be difficult for me to say offhand. I could not answer that right offhand, but we made a reasonable profit, close to 10 per cent, taking an average of the years.

Mr. UNDERWOOD. Is yours a stock company?

Mr. NIBLEY. Yes, sir.

Mr. UNDERWOOD. Did you pay a dividend in those ten years?

Mr. NIBLEY. Yes, sir; in most of them.

Mr. UNDERWOOD. A dividend of how much?

Mr. NIBLEY. Ten or 12 per cent, and one or two of them we did not pay any dividend.

Mr. UNDERWOOD. Out of the ten years did you average a dividend of 10 per cent per year?

Mr. NIBLEY. I should say from 8 to 10 per cent. I could not say exactly offhand.

Mr. UNDERWOOD. Did you put any of your profits in betterments or purchasing new lands or new buildings?

Mr. NIBLEY. New lands and new buildings would be a matter of new investment.

Mr. UNDERWOOD. Did you buy that out of your profits or did you buy it out of new capital?

Mr. NIBLEY. We do not count that as profit. We do not want to have our cake and eat it, too.

Mr. UNDERWOOD. Did you take any profits that your mills made, aside from your dividends, and invest in betterments or new lands?

Mr. NIBLEY. Not to any great extent.

Mr. UNDERWOOD. Then you claim the total profits that you made out of your mill were less than 10 per cent during the ten years?

Mr. NIBLEY. Yes, sir.

Mr. GRIGGS. That includes the money you put into the extra lands?

Mr. NIBLEY. Yes; that includes the profit on everything.

Mr. GRIGGS. That was another profit also?

Mr. NIBLEY. No, sir.

Mr. GRIGGS. I have heard two of you gentlemen speak of conservation of forests. You said, "We want the forests preserved and want to make them worth preserving." I believe that was about your language.

Mr. NIBLEY. I did not say that. That was the language of the speaker before me.

Mr. GRIGGS. Do you not indorse what he said about that?

Mr. NIBLEY. Yes; to some extent.

Mr. GRIGGS. I want to know how you can make the forests worth preserving.

Mr. NIBLEY. I suppose Mr. Freeman's idea was, as my idea would be, that if you will keep or maintain this tariff, or the tariff is high enough, you make your forest that much more valuable.

Mr. GRIGGS. Not as forests, though.

Mr. NIBLEY. Yes; as forests.

Mr. GRIGGS. You do?

Mr. NIBLEY. Yes.

Mr. GRIGGS. How?

Mr. NIBLEY. Because that timber, whether it is in Pennsylvania or Missouri, or wherever it is, is worth just that much more if the tariff is on the lumber. That is the theory of the tariff.

Digitized by Google

Mr. GRIGGS. But if it is never to be cut?

Mr. NIBLEY. We do not have timber never to be cut.

Mr. GRIGGS. Then this is merely a temporary preservation?

Mr. NIBLEY. No; I would regrow the timber. Timber will grow in this country, you understand, and it will grow if it is conserved and taken care of.

Mr. GRIGGS. Is it not really your idea that the higher you make lumber the less of it the people can buy, and therefore the more the forests will be preserved?

Mr. NIBLEY. No; I do not think that is true. That has been thrashed out pretty well. I do not think it is necessary for me to argue on that.

Mr. GRIGGS. I do not ask you to argue. I just ask your opinion.

Mr. NIBLEY. My opinion is the Republican opinion, that with everybody at work, even if things are higher, they have money to buy something and are better off.

Mr. HILL. The lumber which you ship East is such as flooring, ceiling, siding, and so forth?

Mr. NIBLEY. Yes, sir.

Mr. HILL. And a very large amount of labor put upon it to fit it for the market?

Mr. NIBLEY. Yes, sir.

Mr. HILL. When the price is very low, and it is a question whether you are making money or not, if you should close your mill, in order to save your forests, as has been suggested here, you would throw out of employment a large number of men, reduce their purchasing power, and create a condition throughout the country most disastrous?

Mr. NIBLEY. Yes, sir. That is, if all men in that condition would do the same thing.

Mr. HILL. And a lumberman is not necessarily any more free from debt than the average man in the average business?

Mr. NIBLEY. I have never been entirely free from debt; no, sir.

Mr. HILL. I am in the lumber business and I have been in debt ever since I was married, and I owe my mother-in-law a debt I never can pay.

Mr. NIBLEY. As to the question of interest or percentage of profit, the main company with which I am associated—the Grande Ronde Lumber Company, which has its principal business in Canada—has paid 6 per cent; that is, we pay one-half of 1 per cent a month. We have done so for five years, and we have owned that only six years. In that company we put a little more into timber, so I estimate we have made probably 9 or 10 per cent.

The CHAIRMAN. How much more stumpage have you now than when you commenced?

Mr. NIBLEY. We have not quite as much.

The CHAIRMAN. How much more is it worth?

Mr. NIBLEY. I think the stumpage has increased in six years. Our stumpage costs us a little more than a dollar a thousand. I think that stumpage ought to be worth in six years $2, for this reason: If you will take $2, and add 7 per cent (which we have to pay at the banks), and pay the taxes (which are 30 or 35 mills—3 or 3½ per cent), and compound that each year, and then consider your risk from fire 1 per cent, you will find that in the course of ten years your $2 has grown to be $6.59.

Digitized by Google

The CHAIRMAN. You have paid it out of the business? You have paid all this out of the business?

Mr. NIBLEY. Yes; we pay that out of the business.

Mr. HILL. There is no income on that kind of stumpage? That is just an investment?

Mr. GRIGGS. Do you not charge that out of your business?

Mr. NIBLEY. Yes, sir. That is part of this extra 4 per cent that was mentioned.

Mr. CLARK. If you take that stumpage increase and this dividend of yours, it amounts to 110 per cent. You have 100 per cent clear velvet on that stumpage business? In addition to that, you have a dividend of 10 per cent a year?

Mr. NIBLEY. No; the dividend, I said, was only about 6 per cent.

Mr. CLARK. Well, 9 per cent or 10 per cent is what I think you said. Nine times 6 would be 54, and added to 100 it would be 154 per cent profit on the six years.

The CHAIRMAN. We have all the figures, and I do not think we can get any more light on that. Do you want to answer that last question?

Mr. NIBLEY. I did not catch the question clearly.

Mr. CLARK. In answer to the chairman you said the value of your stumpage is about double what it was six years ago.

Mr. NIBLEY. Yes, sir.

Mr. CLARK. That is 100 per cent.

Mr. NIBLEY. Stumpage worth a dollar two years ago is worth two dollars to-day.

Mr. CLARK. That is 100 per cent?

Mr. NIBLEY. Yes, sir.

Mr. CLARK. You declare a 9 per cent dividend on that business?

Mr. NIBLEY. No; 6 per cent.

Mr. CLARK. The statement has been changed, then.

The CHAIRMAN. Oh, no; it was not.

Mr. CLARK. Six times 9 would be 54, and 100 plus 54 would be 154 per cent that you have made, minus whatever the taxes were, and 1 per cent for fire?

Mr. NIBLEY. And depreciation on your plant?

Mr. CLARK. Yes.

Mr. HILL. Assuming that it did not cost you anything to carry this, those figures would be somewhere within a mile of the bull's-eye.

Mr. DALZELL. The stumpage has increased in value. You have taken off something for that?

Mr. NIBLEY. We have taken off from that.

Mr. CLARK. That would cut it down 50 per cent?

Mr. NIBLEY. Yes.

Mr. CLARK. That still leaves you 104 per cent. Every time you buy you double your money?

Mr. NIBLEY. I bought a lot on the Short Line, in one of the little towns, for $50, and I sold it in three or four years for $200.

Mr. CLARK. You made 300 per cent.

Mr. NIBLEY. There is no law against that.

Mr. CLARK. There is no law against it, but there is no law upholding it.

Mr. NIBLEY. Yes, there is.

Digitized by Google

Mr. CLARK. You are asking the Government to guarantee that you can go on making this profit you have been making at the expense of the people.

Mr. NIBLEY. No; it does not ask for anything at the expense of the people.

Mr. CLARK. There is another thing I want to know. Take those timber States up there—Oregon, Washington, Idaho, and Montana—if they have any timber, I do not know whether they have or not. They can not produce annual crops like we do down in our part of the Mississippi Valley. As soon as you get this timber cut off, that land is worth nothing except for sheep pasturage that you mentioned?

Mr. NIBLEY. Practically.

Mr. CLARK. Why do not either these big companies that own such an immense amount of that land, or the State in which it is located, go into this reforestation business in some scientific way, because it must be plain to anybody that as soon as they cut this timber off, those States will be bare and almost worthless.

Mr. NIBLEY. They let it go for the reason I have already told you, that what is everybody's business is nobody's business.

Mr. CLARK. Why do not the States take it up?

Mr. NIBLEY. They do not believe in State's rights.

Mr. CLARK. The National Government of course is the great pap institution.

Mr. HILL. These gentlemen are making a point out of the matter of the profit and dividend which you mentioned. You stated you had less stumpage than when you started?

Mr. NIBLEY. Yes, sir.

Mr. HILL. If you have paid a dividend it is quite likely it is out of the stumpage you have cut off?

Mr. NIBLEY. Yes, sir.

Mr. HILL. Because the stumpage you have on hand is worth double what it was six years ago, it is not due to the great profit in the business, except as to the advance in the price of timber in the country, and the general value of stumpage?

Mr. NIBLEY. Yes; that is right.

Mr. HILL. You have not gotten rich in business in that time?

Mr. NIBLEY. We do not think so.

Mr. HILL. You are making your fair profit?

Mr. NIBLEY. That is all we can make; yes, sir.

Mr. GRIGGS. Have you not charged up this stumpage every year that you have used up?

Mr. NIBLEY. No, sir.

Mr. GRIGGS. You have not charged that on your books at all?

Mr. NIBLEY. Oh, yes; we carry it on our books.

Mr. GRIGGS. But you do not charge it off?

Mr. NIBLEY. We keep an account of stumpage, what it costs us, and then charge one to two dollars a thousand as against that.

Mr. GRIGGS. Therefore, on your books you have carried this stumpage all this time, and you have less stumpage on your books now than you had six years ago?

Mr. NIBLEY. I could not go into those figures; I could not tell exactly.

Digitized by Google

STATEMENT OF D. E. SKINNER, OF SAN FRANCISCO, CAL., WHO STATES THAT LUMBER INDUSTRY NEEDS PROTECTION.

FRIDAY, *November 20, 1908.*

Mr. SKINNER. I represent the Port Blakely Mill Company. I may say that I happen to be a representative of the corporation that has probably enjoyed the largest output of any single concern in the United States in lumber for the last fifty years, especially the largest export.

We have been particularly interested in the export portion of the business, and as this duty does not apply to that portion of the business, it will appeal to you that a reduction of the duty would probably have little effect on our business, for at least 60 per cent of our business is export, but we wish to have this protection. The practical result of the thing would be perfectly apparent to anyone studying it, and that would be that any increase in the consumption of lumber or the production of lumber that would be consumed in the United States would force those who are competing with us into other markets, who naturally now ship coastwise, to send a portion of their material into our channels for export trade. We find that our market fluctuates up and down, and follows the market of the East and coastwise trade, just the same and in the same ratio of prices.

I noticed the other day that Mr. Batchelor, who, the paper said, was the chairman, I believe, of the Farmers' Grange, spoke here at a meeting, where he said that the grange wanted everything taken off the protected list that allow the manufacturer of American products to sell in the United States at a higher price than he sold abroad. I want to say to you frankly we can refute that statement in regard to our business. We ship all our products at least on an average of 20 per cent higher to export trade f. o. b. the mill than we do to the American trade. That can be explained on account of the fact that it takes sometimes a little more difficult sizes, sometimes a little better grade, and to some extent because the material that carries the sap will not stand a long voyage.

Mr. HILL. On that export trade you meet the foreign competition of British Columbia?

Mr. SKINNER. Yes, sir.

Mr. HILL. How do they get 20 per cent more for it than they can at home?

Mr. SKINNER. We all get 20 per cent more for it. We all get 20 per cent more in price. If the price of lumber f. o. b. the mill for shipment east is $10, I should say without any question the average price for shipment export, f. o. b. the mill, would be $12.

Mr. HILL. Do you say that 60 per cent of your trade is export trade?

Mr. SKINNER. Our particular mill, understand, exports.

Mr. HILL. Do you export any to British Columbia?

Mr. SKINNER. Most certainly not. We could not carry coals to Newcastle. We ship to Australia, and principally to the west coast of South America and the Orient, and in 1906 we shipped, I think, 12,000,000 feet to New York City, around the Horn.

Mr. HILL. You get higher prices export from Seattle than you get for domestic trade?

Digitized by Google

Mr. SKINNER. Yes, sir. I live in San Francisco, because we happen to need the facilities for banking and exchange conditions there, and cable conditions, which we can not secure at Seattle.

Mr. HILL. You get 20 per cent more for your export lumber than you do for lumber sold at home, for the same grade?

Mr. SKINNER. Yes, sir.

Mr. HILL. And on that export trade, of course, you meet the competition of British Columbia, so that export prices are 20 per cent higher in full competition with British Columbia, and yet you fear British Columbia shipping into the United States?

Mr. SKINNER. Yes, sir; by all means. If you would encourage that trade, Mr. Hill, you would have an increase of 40 per cent of the product which they can not ship export; to such an extent they would have to find a market somewhere at any price, and it would have to come here. I will tell you frankly I want to distinguish, and I want the committee to distinguish, the difference between the manufacture of lumber and the holding of timber. I am not unwilling to admit that I am a large holder of timber, and I think I have a perfect right to invest in timber, even though I do not own a sawmill. And I think I have a perfect right to own a sawmill, even though I do not invest in timber. I want that distinction made.

Another thing I should like to explain, if I may, is that we have watched this situation for a great many years, and although I am not old enough to have started with the company when it started, we have the history of it still on our books. We know that the increase in population in British Columbia and in the territory that is adjacent to British Columbia is not large enough to increase their output very rapidly. The result will be that we will have that timber there ten or fifteen years from now without any cost to us, and it is a pretty good storehouse for us to keep it in, too.

Other gentlemen have tried to explain to you, and I believe very satisfactorily, the difference in the cost of maintenance of timber reserves on this side of the line and on the other side of the line. I am also frank to admit I think it has been a very good thing indeed that there have been large increased holdings of timber land in private hands. The Government to-day represents probably a quarter, or at least 20 to 25 per cent, of the holdings of timber in the United States. I presume if the Government had gone on and sold that 20 or 25 per cent which they hold under the homstead laws it would have all been destroyed.

Mr. HILL. On that theory, when timber is all cut off in Washington and Oregon you will be in favor of the free admission of lumber from British Columbia?

Mr. SKINNER. No, sir. Those who have timber limits in British Columbia want to occupy this market to-day. I am quite confident, in the case of the big corporations, from all I can learn from my associates and from others, that they are simply figuring on the cruise, and they have not got 40 or 50 per cent even of the individual statements of cruise.

Mr. HILL. Your idea would be to maintain the duty on lumber to expedite or permit the American product in Washington and Oregon to be cut off, with a view of ultimately having free trade when it is cut off, and letting the British Columbia lumber into the United States.

Digitized by Google

Mr. SKINNER. No, sir; that is not my idea at all. They will not increase their output proportionately over there, and that timber will remain there, and when it does come here the price will be high enough so that they can pay $2 or $3 or even $5 a thousand duty, and this Government will get something out of the revenue from that lumber that comes here. I do not care what the duty may be, that timber will come here. Kindly understand, too, that we have come in conflict with all the conditions all over the Pacific, and that the Canadian side is not the only side we have to confront.

There is the Yalu River and the Mexican district, and, in fact, I should like if I could show you that that which lies just across an imaginary line is not the only competition we have to confront. I have some memoranda here that I should like to submit. There has been a statement made here, Mr. Chairman and gentlemen——

The CHAIRMAN. I will say to you that I supposed you had concluded your remarks. The committee had asked you questions, and I thought you were through.

Mr. SKINNER. I beg your pardon, sir; but I asked you if you would not permit me not to have to make my speech in six minutes before dinner. Still, I do not want to extend it very much.

The statement has been made here to-day that the rate of wages in British Columbia and on the other side, especially in the Kootenai country, between the Selkirk and the Cascade ranges, is the same as on this side, or higher; also, that the cost of machinery is practically the same. I cite the committee to the fact that machinery is being constructed in Canada to-day, especially in Hamilton and in other places, by concerns that have been created by concerns on this side, to avoid that duty. They are duplicating their machinery and building it in Canada, for use in Canadian mills, the most of it—at least, a great share of it—so that they will not have to pay a very large portion of the duty that is supposed to be paid on the machinery that enters into their mill construction.

Also, we have here some pictures in which the committee will, perhaps, be interested; and we would like to have the privilege of having them printed in the record at our own expense. They show the oriental labor; and we also have statements as to the price paid them, and the affidavits of the people who have taken these pictures, showing the amount of oriental labor used in the Canadian mills as compared with those used in the American mills. We have about ten thousand orientals in Washington State, I believe; and in British Columbia there are 60,000. I should judge, from the pictures which come to us well vouched for, that the majority of those used in the mills—in fact, the statements say that probably 80 per cent of the men who are employed around the mills—are orientals. Some of them are Hindus, only earning from 80 cents to $1.25 per day. We claim that there is a considerable difference in the cost of manufacture, and that we are entitled to a reasonable consideration for that difference in cost of manufacture.

We also want you to understand, Mr. Chairman, that it is a very serious question, even if we could grant that the cost of manufacture was the same on the other side, as to whether the wage should be paid on the other side or on this side of the line; and we urgently request that the conditions shall continue by which the wage can be paid on this side of the line and the timber remain on that side, if necessary.

Digitized by Google

Before we adjourned a little while ago I stated that Mr. Pinchot's estimate of about 1,400 billion feet of timber was supposed to be made from the cruises of the individual holders, 60 per cent of which, I think, is about what he secured (I do not believe he secured the remaining 40 per cent); and, in addition, the cruises on the holdings of the Government. That does not represent at all, of course, the amount that the land will yield. It is simply the result of the cruise. The Bureau of Corporations came to me and asked me for a statement of the amount of our cruising. I gave it to them very frankly and honestly; but I knew that our cruising would yield considerably more, as it is always recognized that the cruise is less than the yield.

I understand that the Department of Forestry's statement is that the total consumption in the United States annually is about 150,000,000,000 feet. They jump anywhere from 100,000,000,000 to 150,000,000,000 feet, 40,000,000,000 to 50,000,000,000 feet of which is composed of lumber and shingles; the balance of cordwood and wood for various other purposes. I should judge, from traveling across the continent many times, that the average farmer is growing about all of the wood that is used for his ordinary purposes.

Then, again, more particularly, we wish to call your attention to the fact that when they estimate the amount that is used, they estimate the total cubic capacity of the tree, including the limbs and all; but when they estimate the amount of standing timber, they give you the amount of standing timber which they estimate on the government reserves, and nothing but the cruise, and they give you the portion of the private holdings which they can get. I do not think it is quite fair to estimate the length of time that the timber will last in the United States by dividing the amount estimated in any such manner.

Our experience has taught us, from our shipments to New York, that the most serious competition we have to expect is from the Yalu River, the Saghalien Islands, from Canada, from Mexico, and from Alaska, into the east-coast States. They have the privilege of the use of foreign bottoms there at a considerably less rate than we have, because we have practically exhausted all of the American vessels that ply between the two coasts, and of course you recognize the fact that foreign bottoms are excluded from plying between the two coasts. We ask that we have some protection in consideration of that condition which we shall have to meet in the future, and more particularly when at the end of five or six years the canal will probably be in operation, or at the end of ten years, or whatever the approximate time may be. The Government has promised to have it done within a reasonable time, and we look forward to the time when the operation of the canal will allow the importation of enough wood from the west coast to take care of practically, if necessary, a great share of the demands of the New England States and as far west as Pittsburg and Buffalo on a water rate via the canal, or even now in a foreign bottom via the Horn, at no higher rate than it costs to ship across the country by rail.

We also have to take into consideration the fact that if we have no duty we are handicapped the difference of practically the amount of the present duty in our coastwise shipments. They have been barred

Digitized by Google

from our coastwise trade, which amounts to 1,250 million feet a year in San Francisco and San Pedro, Los Angeles and San Diego. If they had an opportunity to compete with us in our coastwise trade with foreign bottoms, they could reduce the freight rate at least $1.25 per thousand—I should estimate nearly $1.50 on the average—because you can operate a steam schooner much cheaper than you can operate a sailing vessel; and the sailing vessels are carrying the larger part of the trade to-day. If they do monopolize a good deal of that trade, naturally that must force back just so much of the balance of our trade, compelling us to reach into the eastern trade, demoralize the eastern conditions, close our mills, reduce our wages, and probably deprive the 190,000 men that we estimate we are using in the mills to-day on the coast, with all of their families and all of those dependent upon them, of a fair portion at least of their wage and of their occupation.

The CHAIRMAN. I understand that you would like to have those illustrations printed in the record.

Mr. SKINNER. Yes, sir. Can we put these in and have them printed in the record if we have the work done at our own expense?

The CHAIRMAN. We shall not be able to get them in the daily record, because there is not time to prepare the plates.

Mr. SKINNER. I understand that.

The CHAIRMAN. And I think perhaps you had better make the arrangement with the Public Printer about them, because, as I understand it, the committee has no authority to order any illustrations without the consent of the Joint Committee on Printing of the two Houses. That is the way I remember the law. But there would not be any objection to your making arrangements with the Public Printer and then having them come into the permanent record when it is printed and bound in a volume. You could not get it in the daily record, of course.

Mr. SKINNER. We wish to thank you, sir, for that courtesy.

F. H. LAMB, OF HOQUIAM, WASH., APPEARS IN THE INTEREST OF RETENTION OF PRESENT DUTIES ON LUMBER.

FRIDAY, *November 20, 1908.*

Mr. LAMB. Mr. Chairman and gentlemen of the committee, I have come 3,000 miles, apparently to be sheared, and I am willing to take the medicine. I represent the Lamb Timber Company and the Washington Logging Brokerage Company. Both of those companies are engaged in logging. I will state, also, as prefatory to what I desire to say, that I was interested a little in forestry long before I became interested in logging. Some ten years ago I took up a timber claim under the Government and earned enough money to take me to Biltmore for a few months, and there I studied forestry. Since then I have gone into logging work.

You will understand that on the Pacific coast logging is an entirely separate industry from sawmilling, and it concerns the material from which lumber is made only from the forest to the log. Therefore I know nothing regarding lumber and shall not be able to answer

Digitized by Google

any questions along that line. But the point that I wish to make is that on the Pacific coast, from which a very large part of our timber supply for the future must come, there is a differential in the cost of logs as compared with Puget Sound conditions and British Columbia conditions of from $1 to $3.50 per thousand in the open market. The timber lies on both sides of an imaginary line, and there must be some reason for that difference in price.

The two factors which enter into the price of logs (which are the chief supply, the first raw material, of lumber) are stumpage, about which you have had so much trouble to-day, and logging cost. I want to state here that I am the owner—I might say one of the monopolistic owners—of stumpage. I own about 100,000,000 feet. Putting that down in ciphers, it sounds awfully large. Figuring it up on the basis of the entire country, I believe I own one ten-thousandth of all the stumpage in the United States, if Mr. Pinchot is accurate in his estimates (which I very much doubt), according to the figures given here this evening.

The stumpage of British Columbia is obtained from the government, as has already been stated to you, and the average price is approximately 75 cents per thousand. Fifty per cent of the purchase price is deferred, and must be paid to the government as a royalty tax. The other 25 cents is for bonus to an "unearned increment," if you wish to call it such, granted to those who have taken up these leases in the years gone past. The average price of stumpage in Washington is approximately $2.50 per thousand, making a difference there in the cost of stumpage of about $1.75 per thousand.

The question of wages as an item of logging cost has been gone into very fully; but I simply wish to state that, in my opinion, the difference in cost of wages between British Columbia and Washington is very small. For a good many positions we pay the same wages. For railroad construction and the cheaper labor it is possible for the British Columbians to employ alien or foreign labor, which we can not do. The cost of supplies in British Columbia, machinery and tools, as has been stated here, is somewhat higher on certain articles, as I happen to know, as I am manufacturing them for the British Columbia market. On other supplies, such as wire rope, railroad material, etc., the British Columbians can buy cheaper than we can. So that, on the whole, so far as regards the actual cost of labor, there is very little difference.

But it is in the position and quality of the timber that the difference in the cost of logging comes. Logging has been carried on in Washington for a great many years, and the timber has receded from the railroads. We have over 1,100 miles of railroads in the State of Washington devoted exclusively to logging purposes. The average haul of the Washington log is probably from 10 to 12 miles; whereas in British Columbia you can go up any of the tidewater streams and sloughs and put it in, and in some cases secure it from the government without any cost other than the royalty tax.

If it is a crime to own stumpage, and if it is a crime to gain any of the increment that comes from stumpage, then we will have to revise our theories of forestry to a certain extent. They taught me at Biltmore that forestry depended upon high prices for lumber—high prices for the product. If I had here Slick's text-book of forestry, I would quote that from it. But I happened to be able to

Digitized by Google

get hold of a statement by Doctor Fernow, who, as you probably know, was at one time at the head of the Forestry Division, in which he says:

It would be difficult for anyone to prove at the present time that the adoption of forestry methods would lead to immediate increase in profits.

That is, in holding and simply letting the land that is cut over remain in its natural state.

We will never succeed—

Quoting further from him—

in persuading the private owner until we have produced the conditions which make it possible to hold forest property uninjured for the long time which is necessary in order to reap the benefits.

Doctor Schenck, of the Biltmore Forest School, and in charge of the Biltmore estate—a trained German forester and an admirable lumberman at the same time, says:

The greater part of practical woods work will be in the line of lumbering, and the lesser part will consist of sylviculture, merely because sylviculture is not as safe an investment at present, nor is it as remunerative, as lumbering.

These were quotations made at the Forestry Congress, and there was the testimony of others there who were not trained foresters that forestry in the United States can not be made a profitable business at this time. For what reason? Because the returns would not justify any man in putting his money into the property and guarding it, planting it, or even, where it is not necessary to plant, letting the natural growth take care of itself. Those who stated this were Howard Elliott, J. E. Defebaugh, John L. Call, Frederick E. Weyerhaeuser, and George H. Emerson. I shall not bother to read their language, because it seems so apparent, to me at least, that when you talk about instituting forestry methods in this country to save our timber you must also take into consideration the fact that timber grown under forestry methods will be dearer timber than that obtained by forest exploitation. That is a statement of forestry which no one can disprove.

What else do you mean by "the conservation of the timber of the United States," unless it is growing it under forestry methods in accordance with the ideas of the average forester?

Why am I here to urge the retention of the present duty? It is simply because I believe that it will be the best thing for the lumbering and logging industry of the whole country, and therefore the best thing for the citizens of the country; because we are fourth in rank, and anything that affects us materially will affect all other classes of industry more or less. I wish to state, however, that I believe that the duty on lumber should be retained and that our stumpage should be allowed to receive all the advance that has come to it. And until that time—until the time comes when it reaches a plane where it is profitable to grow it—you will have no forestry or forest conservation on the private lands of the United States. You must remember that over 80 per cent of the forested lands of the United States are in private hands, and they are the ones that will be called upon to furnish the timber supplies of the future.

I have urged this. I am a member of the Washington State board of forestry. We have done a great deal in the past six years in

Digitized by Google

protecting the State from fire. We intend to take up the matter of forestry on State lands during the coming session. But outside of all these things we must look to private lands to perpetuate our timber supply.

If there are any questions regarding conditions on the Pacific coast I shall be glad to try to answer them.

The CHAIRMAN. Does the committee desire to ask any questions?

Mr. UNDERWOOD. You do not advocate an additional duty on logs? You are merely standing for the present duty? Is that it?

Mr. LAMB. That is all.

Mr. UNDERWOOD. The duty on logs?

Mr. LAMB. There is no duty on logs—on lumber.

Mr. UNDERWOOD. There is no duty on logs at present?

Mr. LAMB. No.

Mr. FORDNEY. Mr. Lamb, you have been a logger in the State of Washington?

Mr. LAMB. Yes, sir.

Mr. FORDNEY. Did you leave any proportion of your timber in the forests on account of its not being profitable to take it out?

Mr. LAMB. I believe that in the woods of Washington at least 50 per cent of the cubical capacity of the entire tree is left in the woods.

Mr. FORDNEY. Why?

Mr. LAMB. Simply because we can not afford to take it to market and make a profit on it. We do take a great deal of stuff that we do not make a profit on; and we depend upon the better class of material to even it up. But beyond a certain point, if we take it all, it means only financial bankruptcy.

Mr. FORDNEY. If the price of lumber in the market for the low grades was high enough you could take it clean, could you not?

Mr. LAMB. If it was high enough; and along that line I will cite a comparison between last year and this. Last year logs were selling at from $10 to $12 per thousand; this year from $8 to $9. Every logger on the coast is leaving in the woods from 10 to 20 per cent of the material that he took out last year, simply because the market will not take that low-grade stuff. If you put it in and take it to market, you can not sell it for anything at all.

Mr. FORDNEY. If the duty is taken off British Columbia lumber and their low grades come into our market, you would either have to leave more of your coarse timber in the woods or stop logging?

Mr. LAMB. That is, granting that it would have any effect upon our prices.

Mr. FORDNEY. Would not a greater supply of the low grades in your market right now have a tendency to reduce prices?

Mr. LAMB. Yes, sir.

Mr. FORDNEY. That is all.

Mr. RANDELL. You stated something to the effect that the material necessary in your business costs less across this imaginary line you speak of; in other words, that in British territory the material costs less than it does in the United States. Did I understand you correctly?

Mr. LAMB. What material is that—stumpage?

Mr. RANDELL. No; cables and chain and so on.

Mr. LAMB. I said that certain items would cost less there.

Mr. RANDELL. What sort of items?

Digitized by Google

Mr. LAMB. Wire rope and railroad materials, some classes of which are cheaper in British Columbia than in the United States.

Mr. RANDELL. Where is that material purchased?

Mr. LAMB. It is purchased from England, under preferential tariff duties granted to the colonies.

Mr. RANDELL. Is not most of their material purchased from the United States?

Mr. LAMB. Not in those lines. There is scarcely any American wire rope used in British Columbia, excepting when they happen to get out of odd sizes and have to send over for it across the line.

Mr. RANDELL. If the tariff remains as it is will not, in your opinion, the cutting of the timber be faster in your section of the country than it would be if the tariff were taken off?

Mr. LAMB. I did not understand you.

Mr. RANDELL. Would there not be more timber cut in your section of the country if the tariff remains as it is than if the tariff were to be removed?

Mr. LAMB. I believe so; certainly that would be the case if it would have any effect upon American conditions at all.

Mr. RANDELL. Then would there be more or less cut on the Canada side, on the British Columbia side?

Mr. LAMB. There would probably be more there.

Mr. RANDELL. If the tariff was allowed to stay as it is, there would be more than if it is removed?

Mr. LAMB. No. If the tariff was removed it would increase logging and lumbering operations on the Canadian side, especially in cedar, on which they can compete with us even with a 30-cent duty.

Mr. RANDELL. Some gentlemen here have said that the great reserve supply for the country is in that section, on both sides of that line. Do you think it would be better, just as a matter for the good of the country, to adopt a policy that would denude our forests first and leave the reserve in British Columbia, or denude their forests first and leave the reserve with us?

Mr. LAMB. This leads up to the question of whether the British Columbians are going to allow you to denude their forests. Understand that 99 per cent of the timber lands in British Columbia are granted under leases which are renewed from year to year, and the royalty can be fixed at any time, at any year; and it is unreasonable to suppose that the government of British Columbia is going to allow speculators to go in there and reap the "unearned increment," as some have called it, in stumpage. They have increased the stumpage rate, or "royalty," as they call it, on some leases, to 60 cents. If we take off the tariff and make their timber worth as much as ours, $2.50, the government will undoubtedly raise their royalty, and they will take the benefit of it.

CHARLES W. GOODYEAR, OF BUFFALO, N. Y., URGES CONTINUANCE OF PROTECTION FOR THE LUMBER INDUSTRY.

FRIDAY, *November 20, 1908.*

Mr. Chairman and gentlemen, I want to confess at the outset that I know very little about this most complicated affair called the tariff. I am quite sure that in order to comprehend it, or understand its

Digitized by Google

various provisions and schedules and their relations to each other, I should have to give up all other business which I have and devote myself solely to this one question of tariff and schedules. I am not so egotistical as to think that by reading the bill through I could understand it, or even approach a fair comprehension of it. From my point of view, it is one of the most intricate and one of the most complicated affairs that the Government of the United States has to deal with. And for me to undertake to understand it with what limited time I have would be a work of supererogation. It would be useless. I would not know what I was reading after I got through.

With that premise, confessing my ignorance as I do and my inability to devote the time necessary to even attempting to understand the tariff schedules and their various relations to the different sections of the country, I want to say that, looking at the thing broadly and without attempting to understand details, I believe that as a matter of fairness between man and man, between one line of business and another in our country—the lumber industry—so long as the protective idea is to prevail, should have its fair percentage of protection against foreign importation. This country, by unanimous vote—not by unanimous vote, either, but by emphatic vote—has since 1896 declared that the principle of protection shall prevail rather than that of tariff for revenue only. To be sure, during the last campaign there was a plank incorporated in the Republican platform that was rather more liberal toward the "free traders," as they are called—but unfairly, I think. They are not free traders. They are people who believe in a modified tariff to a greater extent than a great many people do who are members of the Republican party.

I believe there are very few people throughout the country who earnestly and seriously advocate absolute free trade for the country. I believe that there are a very much larger number who sincerely believe that we ought to act upon the basis of a tariff for revenue rather than of a tariff for protection; that the protective idea ought to be eliminated; and that we ought to tax the people upon their importations only for the purpose of getting revenue for the Government.

Looking at the matter in that way, as I have stated, and following out the idea that the people of this country have by emphatic vote declared that the protective idea shall prevail, perhaps, with some modifications, I may be permitted to add: If that is so, here is a large industry in our country which affords the means of livelihood to a very large percentage of our population. It has been stated that it is the largest single industry in the United States, considering it as a whole. Unfortunately for me, I represent a company which is engaged in the manufacture of hemlock lumber in the State of Pennsylvania. I also, with equal misfortune, represent a company which is engaged in the manufacture of yellow-pine lumber in the State of Louisiana. So that I think, without real substantial reason, I am supposed to know something about both the hemlock and the yellow-pine industries. I will state, however, that in the State of Louisiana the company which I represent completed a very large manufacturing plant something like about eight or ten months ago. It was practically ready for operation. We did not put it into operation before because of the very low price of lumber in the country generally. The market would not take it at a fair return of profit. We allowed that plant, which cost us something over two millions and

Digitized by Google

a half of dollars for the plant alone, with the necessary houses for taking care of the operatives and the necessary woods' equipment, etc., to lie absolutely idle, because there was no profit in running it; and we could not even get our stumpage cost back for a considerable length of time.

On the 1st day of September, however, hoping that business conditions would improve, we started the plant. It is now in operation and has been in operation since that time, with the exception of those short periods of time which intervene generally in the starting of a new factory. We had some breakdowns and some things to hinder a continuous operation. But to-day, even with some improvement in the lumber market generally, we find that it is very difficult to get anything more out of the lumber manufacturing industry than merely the cost of the stumpage. That is about all we can get back to-day. But so large a plant as that lying idle is losing money rapidly, and in order to make our taxes and interest charges, etc., we find it to our advantage (or at least it appears to be to our advantage now) to take up some of this stumpage, anyway, hoping that the new era which we assume is now upon us will produce something better than mere cost of production.

Then, again, there are a great many things which a large manufacturer, employing a considerable number of men, has to contend with. About the time that our mill was completed we found that we had a large number of men who had moved into the town and who had assumed that they were going to have continuous work; but we found it necessary to let them go for some time.

The CHAIRMAN. When was it that you completed your mill?

Mr. GOODYEAR. Sometime along last spring; I should say about March, or somewhere along there. We did not start it until September. Of course it is very easy for the unthinking to say that we are nothing but a hard-hearted, soulless corporation that does not care anything about its operatives, nor what their conditions are, nor how unfortunate they are, nor how difficult it is for them to support their families. But I do not believe that sort of sentiment prevails generally among the managers of large manufacturing corporations. I believe that they, on the other hand, have a kindly and tender sentiment toward their operatives, and that they much prefer to see them prosperous and to help them on rather than to see them lacking for the necessaries of life. Whatever may be said in this regard, as I say, of the "soulless corporations," I do not believe that such sentiments as I have indicated prevail among the management.

For the purpose of this hearing I do not know that I want to advance any further argument than that, inasmuch as the articles which we consume are nearly all taxed in order to prevent foreign importation—that is, that the protective idea prevails in regard to them—and inasmuch as the rate of taxation now upon lumber is about 12 per cent, which is an extremely low rate, if we should enact laws in this country to-day for the purpose of producing revenue only, I believe there would be that much taxation in any event imposed upon the foreign importation of lumber. When you come to reduce all the schedules down to the basis of a tax for revenue, and consider all of the various lines of manufacture in the country which give employment to labor, it seems to me that the average of taxation would

Digitized by Google

certainly be fixed upon lumber at not less than that which is now imposed upon it, and that in making up these schedules for revenue only, the idea of keeping that tax upon lumber would prevail.

I think I have stated all I care to on that subject, and I simply want to call your attention to a few other items, and then I shall be through.

The honorable Mr. Clark has suggested, in a few instances here, that there was great uniformity in the prices of lumber throughout the country. If that is so, I have failed to discover it so far, although I have been in the lumber business something over twenty years. I know perfectly well that there is no uniformity in price in the hemlock business. In the hemlock lumber business our market is confined largely to the Eastern States, and largely in the Eastern States to New England and New York and what are ordinarily known as New York points, covering New Jersey and all that country lying about the North River and the East River and Long Island Sound, and so on.

Just to illustrate the fact that there is no such thing as uniformity in price: We have a sales agency in Chicago for yellow-pine lumber, and the other day our sales agent met a competitor, and said to him: "Let us show up; let us lay our hands down here and see who is getting the most for his lumber." It was agreed, and they each exhibited their schedules. Remember, it is not a question of uniformity in average price, because that would not be fair—there are so many different grades of lumber—but it is a question of uniformity in price of grades. They showed up their hands and their prices and their books, and when they had finished they found that we were getting, according to what the statement showed, a dollar a thousand more than the other fellow was getting. And for what reason? Why, I think we have a smarter salesman than he has. I think he is a sharper fellow. I think he will get out and get trade where the other fellow will not. He will go to a small dealer living back in the country instead of confining himself entirely to the big wholesaler in the large centers; and while his expense will be more, on account of his increased expense of travel, and his traveling men, etc., he gets an average price above that of the other chap, because he seeks the highways and the byways and gets back closer to the consumer.

I will venture to say that if you will take the mills of the South today, looking at this one product of long-leaf yellow pine, and take their books and see just what they are getting for their lumber, you will find an average difference of somewhere between 50 cents and a dollar a thousand; but you will find between the low man and the high man a difference of between two and three dollars a thousand.

Then, again, there is a difference in the reputation which mills get. For instance, one mill gets a reputation of making its grades of very high-class lumber. These grades are somewhat relative. For instance, I have known it to occur that your sales agent was a pretty easy-going sort of a fellow, and he sat with his heels up on his desk in his office at the mill and said to the millman: "Now, you want to make those grades up high. Just keep everything in your high-class lumber; get your grades away up." And when you came to look at it after a time he had a very small percentage of the high-grade lumber as compared with the others. The other fellow had been more

Digitized by Google

active, though his grades were of a lower class. That is, instead of having a large percentage of his A1 price of lumber, the very best there is in the lot, he had a small percentage; and in the next class, and the next, and so on, the whole difference ran through, until that mill got a reputation for selling lumber itself. It did not need traveling men. It was so good that everybody that got its product wanted more of it.

Somebody might say: "Perhaps he was getting more for his lumber," and that would be true; and the other fellow that came along would be selling the same grade as established by the grader, but it was not as good a class as the fellow that made it so much better that it sold itself. There is a great deal of that sort of thing. There is not a uniformity of grade. There is only a uniformity of classification, and the lumber in one class may be a great deal better than other lumber in the same class. And therefore you find that one mill sells its lumber without moving the salesmen out of the office, while the other fellow has to "drum" it hard to get rid of it at all. But the fellow that makes his grades so high is making his average price so low that he is not showing good results on the whole. That also occurs.

I will pass that along. Another suggestion that I want to make is that a lumber operation to-day has a large variety of things to contend with that tend to hold the price down. For instance, there is this competition of concrete or cement with lumber. I saw a statement in a paper that I have been trying most earnestly to find since I left this room, to the effect that, I think it was, five years ago there were some 4,000,000 tons of cement made in this country, and last year there were 48,000,000 tons. Anybody can see that that has necessarily displaced the sale of a large amount of lumber; because in those places where they used to make sidewalks of plank, and build houses of lumber, in a great many instances the lumber has been displaced by cement. Therefore the competition with lumber for building and construction purposes is not confined alone to the lumber itself, nor to the varieties of lumber that exist throughout the country. One kind of lumber competes with another, too. Because you are a manufacturer of yellow pine you need not think that that will not have to compete in some sections of the country with Oregon fir; and because you are a manufacturer of hemlock in Pennsylvania you need not believe for an instant that you will not have the competition of the yellow pine of the South.

Perhaps I am in that somewhat anomalous condition where I am constantly competing with myself, or where one of my companies is constantly competing with another. I know that the yellow pine today is being shipped directly into the market which has been for some years dominated by the hemlock trade. So that the lumber competition, the competition in its use, is not confined at all to any one kind of lumber with itself, but the competition may exist in many ways. And I know that even in New York our salesman in Chicago has recently been competing with our salesman in Buffalo, one man selling yellow pine and the other selling hemlock.

Some suggestion has been made here in regard to sawmill machinery and the machinery and appliances which sawmill men use in Canada having been bought in this country and having paid a tax when taken into Canada. I think, upon investigation, you will find that up to

Digitized by Google

date there has been very little of that done. Perhaps in some sections of the country some sawmill man who has been accustomed to some mill man's machinery—for instance, Filer & Stowell's machinery—may have gone out into the Northwest to manufacture lumber, and being familiar with their machinery he has said, "I am going to buy theirs, even if it costs me a little more." But the number of manufacturers of machinery in Canada has very largely increased in the past few years; and I am told, without being at all definite as to the amount, that the purchase of sawmill machinery in the United States for Canadian use has very greatly fallen off, and that they are buying their machinery now in Canada and a great deal of it in England for Canadian use, and the Americans have lost a good deal of the trade.

We all know, if we stop and reflect a moment, that in connection with railroad lumbering the American Locomotive Company has built a large locomotive plant in Montreal for the very purpose of taking care of the locomotive business in Canada, and lumbermen as a rule now practice railroad lumbering rather than river lumbering.

The CHAIRMAN. How long has that been in operation?

Mr. GOODYEAR. The Montreal plant of the American Locomotive Company?

The CHAIRMAN. Yes.

Mr. GOODYEAR. I should say that had been in operation about two years. It is a rather recent production there.

In regard to forestry, I was rather impressed with the suggestion made by the honorable Mr. Boutell as to how we should look at this question of the conservation of the forests. He suggested that we should not confine our view of this forestry question to the conservation of the trees and the forests of the United States alone; that we should look at it from a broader standpoint, and not only consider the forests in this country as a source of supply, but consider Canada as a source of supply for this country. As he illustrated it, it was not of great importance to the people of the two countries whether you took off all the trees in the United States first and then relied upon the Canadian supply, or took off the Canadian supply and then relied upon the United States, as the Canadians would do if there were no more forests in Canada. It strikes me that that is absolutely the statesmanlike view of this situation. It is not only a case of Canada itself and the United States together, but we know perfectly well that there are very large and extensive areas of forest land in Mexico as well as in the United States and in Canada; and when you look broadly at the forest area of these countries as a whole you do not see the day when there will be any danger of a failure of a lumber supply, and this is especially the fact as the use of concrete tends to reduce the use of lumber.

On this subject of forestry, however, I think that when a thorough investigation of it is made by practical men—men that know the industry from actual experience—we shall find that the way to conserve the forests of the country is to take off the product that is now upon the lands and replant them, just as they have done in Germany and in Austria and in many other countries. This going in and taking out a tree here and a tree there and another one here, and so on, of a certain size, is simply going, if that process is continued, to make the price of lumber to the people of this country so high because

Digitized by Google

of the enormous cost of logging and getting your product to the market that it will be impossible for the people to pay the price except in the most limited way.

England was one day a forest-covered country, and now there is hardly a lumber tree growing inside of its limits. You go over there and you see hardly any houses built of lumber. They are built of brick and concrete and other material, and they use very little lumber in their construction. The people have found a way there, notwithstanding that their forests are gone, to get their houses and their buildings quite as conveniently, and, I think, quite as inexpensively, as they do in countries where they still have forests. Probably there is some greater expense, but they make brick and concrete and whatever they need in order to provide themselves with homes and necessary buildings without any very largely increased expense.

I have already spoken much longer than I intended to; and I feel now like the chap who lived up in the North and who in the winter had a very cold room, and he did not like the idea of getting ready for bed and then saying his prayers. So he wrote out a prayer and nailed it to the headboard and jumped into bed and said, "Lord, them's my sentiments." So I now feel like saying to you gentlemen, "I nail Mr. Hines's speech to my footboard and say 'Gentlemen, them's my sentiments.'"

The CHAIRMAN. I suppose there is a good deal more unction in your prayer than there was in the prayer of the man you refer to. It seems to me as though his prayer was rather a formal matter. I do not know whether yours is or not.

Mr. GOODYEAR. Mine is as good as I can make, anyway.

The CHAIRMAN. Now, let us come to something more practical, Mr. Goodyear. You speak about reforestation. Suppose that the Government had constitutional power to compel reforestation; that either the United States Government or the state governments could be brought to pass laws to that effect, and commence at once, how long would it take those forests that were begun now before they produced trees fit for lumber?

Mr. GOODYEAR. I think it would take until about ten years before our lumber is gone.

The CHAIRMAN. When do you expect our lumber to be gone at the present rate?

Mr. GOODYEAR. It may be gone in something like fifty or sixty years.

The CHAIRMAN. Fifty or sixty years?

Mr. GOODYEAR. Yes.

The CHAIRMAN. You do not agree with Professor Pinchot about it?

Mr. GOODYEAR. Oh, not by any means. You see, for I think at least forty years we have had prediction after prediction that the white-pine lumber would be gone in Michigan in ten years; but they have been lumbering there ever since.

The CHAIRMAN. Of course it would require a good many years to settle the constitutional authority of the Government, and, after that was done, a good many years more to put the law into effect; and even at your rate of restoration it would look as though we would have to resort to concrete and brick and everything else in order to help out the lumber supply.

Digitized by Google

Mr. GOODYEAR. Oh, no; because some of the States have already begun reforestation—Pennsylvania, for instance.

The CHAIRMAN. I think the State of Maine has done so, and the courts so far have declared the law constitutional.

Mr. GOODYEAR. And the State of Pennsylvania, also.

The CHAIRMAN. But that is a very small beginning in the whole United States.

Mr. GOODYEAR. Pennsylvania is a big place. Pennsylvania has a great area; and they have begun reforestation there. At least, they have begun the purchase of lands in Pennsylvania. They have purchased quite a lot of lands that we owned for reforestation.

The CHAIRMAN. Have the States had to purchase the land and do it themselves?

Mr. DALZELL. That is what they are doing in Pennsylvania.

Mr. GOODYEAR. They are doing it themselves. The State is purchasing land.

The CHAIRMAN. I am afraid that would be a pretty slow process. We have been buying, of course, some land in New York to preserve the forests for a public purpose.

Mr. GOODYEAR. Yes; and then, after you get them, you burn them up.

The CHAIRMAN. That has not resulted in very large progress; but we have spent considerable money.

Mr. GOODYEAR. Yes; and then you have burned up what you bought.

The CHAIRMAN. I am afraid we have, a good deal of it, or somebody else has burned it up and we have allowed them to, which amounts to about the same thing.

You speak about building concrete houses. That industry is hardly an infant yet, is it?

Mr. GOODYEAR. Oh, yes; it is a very vigorous infant.

The CHAIRMAN. It has not progressed very rapidly, has it?

Mr. GOODYEAR. I can show you a house in Buffalo that was built entirely of concrete.

The CHAIRMAN. One house?

Mr. GOODYEAR. I am speaking now of one house; this is one particular house.

The CHAIRMAN. Buffalo is a pretty large city, however.

Mr. GOODYEAR. But just a moment, please. That house was built over twenty-five years ago, and built entirely of concrete.

The CHAIRMAN. Yes; and there have not been many more built since?

Mr. GOODYEAR. Yes; some. I see them along occasionally as I drive about the town.

The CHAIRMAN. I can show you a house that was built fifty years ago, or likely more, and it is standing yet. It cost something to build it, but it was finished off with lumber; and half or two-thirds of the lumber had been used in a common frame dwelling. I am afraid there is a certain dreaminess about that matter of concrete houses on your part.

Mr. GOODYEAR. No; I think you are quite mistaken.

The CHAIRMAN. Perhaps you and I look at it from different standpoints. I have not any lumber interests and you have.

Mr. GOODYEAR. Yes; that makes a difference in the view.

Digitized by Google

The CHAIRMAN. You speak about the hemlock business in Pennsylvania.

Mr. GOODYEAR. Yes, sir.

The CHAIRMAN. Hemlock is growing scarce in this country, is it not?

Mr. GOODYEAR. Oh, yes.

The CHAIRMAN. We used to get it in our State; but they have moved the mills all into Pennsylvania now from our State.

Mr. GOODYEAR. Oh, no; you have some hemlock mills up in the Adirondacks yet.

The CHAIRMAN. Yes; but in the southern part of the State the hemlocks are all gone.

Mr. GOODYEAR. Oh, yes.

The CHAIRMAN. We used to get that years ago; but the area is constantly getting smaller, and the price of hemlock lumber since a few years ago has been going up.

Mr. GOODYEAR. Yes, sir; until recently—until a year ago.

The CHAIRMAN. Until everything, the lumber business and everything else, went down a year ago with the general stoppage of trade?

Mr. GOODYEAR. Yes, sir.

The CHAIRMAN. What was the price of hemlock twenty years ago—a first-class quality of hemlock lumber?

Mr. GOODYEAR. Such as we make? [Laughter.]

The CHAIRMAN. Certainly; and such as we used to get in the southern part of our State.

Mr. GOODYEAR. I think it was about $12 a thousand. I am speaking of the New York market.

The CHAIRMAN. How much was it a year and a half ago?

Mr. GOODYEAR. It was about $17 or $18 a thousand.

The CHAIRMAN. Not over that?

Mr. GOODYEAR. No. Of course hemlock, like all other lumber, has a variety of prices.

The CHAIRMAN. If I were to buy a load of it at a lumber yard, how much would I have to pay?

Mr. GOODYEAR. All that the retail man could get out of you, I am sure. [Laughter.]

The CHAIRMAN. And that is about how much?

Mr. GOODYEAR. I should think he would get a profit, if he got a fair profit, of somewhere around $2 a thousand; and he would charge you up, too, for the expense of delivery.

The CHAIRMAN. I should like to come across some such retailer as that if I had to buy hemlock lumber.

Mr. GOODYEAR. I will tell you what I will do—I will sell it to you myself. [Laughter.]

The CHAIRMAN. I think that is all, Mr. Goodyear.

Mr. FORDNEY. There is no prospect for any individual to attempt to reforest land and ever expect to get a profit out of it, on account of the taxes he would have to pay, is there?

Mr. GOODYEAR. The taxes he would have to pay, and the price his logging would cost him if he went to picking out trees in various places—there would not be a semblance of profit in it, in my judgment.

Mr. FORDNEY. If by picking a tree here and there, matured timber, and lumbering it in that way, and being compelled to pile the

Digitized by Google

brush and clean it up as you go, and clean up the land, you eliminated the possibility of fire, the price of lumber to the consumer would be much higher than it is now?

Mr. GOODYEAR. Oh, inevitably; it could not be otherwise.

Mr. FORDNEY. And the consumer would have to pay that, would he not?

Mr. GOODYEAR. I do not see how he could get it without paying for it.

Mr. FORDNEY. Because the lumberman will not operate without a profit, except at such extremely low prices as we have been having for the past year?

Mr. GOODYEAR. That is right, sir. Then there is another feature about it. Suppose this sort of legislation was enacted by States. Suppose the State of Louisiana, for instance, should enact laws of that sort, and the State of Mississippi did not. What sort of an advantage would that give the Mississippi lumberman over the Louisiana lumberman, and the lumberman of Arkansas, and so on? If you go to passing laws restricting manufacturing operations in one State, the manufacturer who is not restricted has a great advantage over the one that is.

The CHAIRMAN. You lumbermen get to talking together about cleaning up against fire. What do you mean by that—cutting the lumber all off?

Mr. GOODYEAR. Piling up the brush and the broken logs.

The CHAIRMAN. And the lumber, and getting it out of the woods?

Mr. GOODYEAR. There is a waste in all lumbering operations.

The CHAIRMAN. Of course if you took it all there would not be anything to burn.

Mr. GOODYEAR. No, sir.

The CHAIRMAN. I can see how that would preserve the lumber and the timber.

Mr. FORDNEY. You are talking about the débris left on the ground after you cut the timber.

The CHAIRMAN. Of course I can see how that would do it. If you remove it all, of course it would not burn.

Mr. GOODYEAR. Under Mr. Pinchot's department we have been conducting some experiments at the expense of our company down in Louisiana.

The CHAIRMAN. Is not that a good deal like tearing down a house to guard against fire?

Mr. FORDNEY. Mr. Goodyear, pardon me a minute. Either the chairman or I misunderstand you. In the sale of government lands there is a condition imposed upon the purchaser by which, when he cuts a tree down and takes the matured timber off government land, he is compelled to clean up the débris he leaves, the tops and the leaves and stuff, and burn it before leaving the land?

Mr. GOODYEAR. That is in Canada.

Mr. FORDNEY. That is what we were talking about.

Mr. GOODYEAR. That is in Canada.

Mr. FORDNEY. No; in this country.

Mr. GOODYEAR. In our country?

Mr. FORDNEY. Out West.

Mr. GOODYEAR. Of course the Government now has a perfect right to refuse to sell its holdings at all if it likes to.

Digitized by Google

Mr. FORDNEY. That is what we were talking about, Mr. Chairman.

Mr. GOODYEAR. It need not sell its holdings; it can hold its timber for the future if it desires. But all of the lumbermen in this country to-day who have gone into this business have gone into it with the view that there was stability to the law of our land in regard to the right of a man to conduct his own business, as long as he did not interfere with the rights of the rest of the community; and among those rights has been his right to buy a piece of land with timber on it and to take it off and use it in the ordinary way, just as the farmer has a right to buy a piece of land, raise a crop of wheat upon it, take it off and sell it. This timber of the country is nothing more than the crop which that land raises. It is true that it takes more years to mature than it does to raise a crop of grain; but, nevertheless, it is the crop which the land has produced. And the purchaser of that land supposed when he bought it, in all these instances, whether he be a small holder or a large one, that he had a right to use that crop which grew upon his land for his purposes, and to use it for the purpose of making a profit out of it.

The CHAIRMAN. Yes; but one of the gentlemen taking the other side would say that while he had a perfect right to do that, you should not ask the Government to help him. I am only stating to you the argument that they make to see what answer you have to it.

Mr. GOODYEAR. Exactly. If, looking into the matter as a whole, looking at your tariff schedules not as individual schedules, not selecting out one particular thing, but looking at them as a whole, you say: "We do not think it is fair to these lumbermen that they should have even the poor modicum of a 10 or 12 per cent tax upon foreign importations; we do not think it is fair to do that when we look at all of these schedules together." I suppose that, in your wisdom, when you come to consider all these things, if you look at it in that way, you will cut the tariff off or you reduce it, or do something with it.

The CHAIRMAN. I am not making the argument in reference to deforestation my own.

Mr. GOODYEAR. I know that.

The CHAIRMAN. I am simply stating to you the argument that is presented, and asking you for an answer to it from your standpoint.

Mr. GOODYEAR. Since 1896, when the prince of high tariff was elected President of the United States, we have thought that so long as the Republican party was in power we were reasonably safe in the protection of our property interests.

Mr. CLARK. Do you not think so yet, notwithstanding the fact that they have promised to revise the tariff? [Laughter.]

Mr. GOODYEAR. I think that they intend in some fair degree to carry out their promise.

Mr. CLARK. You are not uneasy about what is going to happen to the lumber trade, are you?

Mr. GOODYEAR. I am a little anxious, although I hope that good sense will prevail when you come to consider the matter. [Laughter.]

Mr. CLARK. You mean by "good sense" some kind of an arrangement to tax everybody for your benefit?

Mr. GOODYEAR. I do not, sir.

Mr. CLARK. But you have called it a tax. You have been honest enough to do that.

Mr. GOODYEAR. Yes, sir.

Digitized by Google

Mr. CLARK. If somebody collects a tax somebody pays a tax, does he not?

Mr. GOODYEAR. I have found it so in my business.

Mr. CLARK. The truth about this concrete business is that you all put up the price of lumber so high that it gave the concrete men the opening to get their material on the market.

Mr. GOODYEAR. Is not that a good thing for the country?

Mr. CLARK. I know; but what are you complaining about them for if you did it yourself?

Mr. GOODYEAR. Who is complaining?

Mr. CLARK. You were explaining that the concrete business was crowding you people out of the lumber business.

Mr. GOODYEAR. I was explaining, but I was not complaining.

Mr. CLARK. There is very little difference. [Laughter.] There is very little difference. The truth is that you regard everybody that wants to change these tariff rates as a demagogue and an anarchist, do you not?

Mr. GOODYEAR. No, sir; I do not regard any member of this committee in that light. [Laughter.]

Mr. CLARK. If there is no agreement about prices, if there is no trust, then what put that idea into the head of President Roosevelt and Attorney-General Bonaparte?

Mr. GOODYEAR. I was not there when they opened their heads.

Mr. CLARK. That is very smart, but it is not very satisfactory.

Mr. GOODYEAR. Does it not answer your question?

Mr. CLARK. No; it does not answer my question.

Mr. GOODYEAR. Then I do not know.

Mr. CLARK. Roosevelt is President of the United States, and a Republican President.

Mr. GOODYEAR. Yes, sir.

Mr. CLARK. And Bonaparte is a Republican Attorney-General of the United States.

Mr. GOODYEAR. So they say.

Mr. CLARK. So they say?

Mr. GOODYEAR. Yes, sir.

Mr. CLARK. I guess he is, or he would not be in there. At any rate, I am glad he is out of the Democratic party.

Mr. GOODYEAR. You and I agree about that.

Mr. CLARK. What put it into their heads that there is a trust?

Mr. GOODYEAR. Into whose heads?

Mr. CLARK. Roosevelt's and Bonaparte's?

Mr. GOODYEAR. I did not know it was in their heads that there is a trust.

Mr. CLARK. Did they not start out to prove that there was one?

Mr. GOODYEAR. They sent some investigators out to find out if there was one.

Mr. CLARK. Yes.

Mr. GOODYEAR. But I do not know that they have ever said that there was one.

Mr. CLARK. Do you not think that you miss one of the principal benefits that is supposed to be derived from reforestation? You never mentioned the fact that the cutting off of all the timber at the heads of these streams is going to dry up that whole country, as it

Digitized by Google

did Spain for the same reason, and that the cutting off of all the forests at the heads of the streams produces these floods every year.

Mr. GOODYEAR. Does it produce the droughts?

Mr. CLARK. Yes; it produces the droughts.

Mr. GOODYEAR. I do not see it that way.

Mr. CLARK. It is a fact that is recognized by every scientist in the world that the reason that Spain dried up was that they cut the forests off the mountains. Spain at one time was just as fertile as the district I represent—one of the most fertile districts in America, lying between two great rivers—and two-thirds of it has dried up so that they can not raise anything in it. That is one of the reasons that these people claim, and I claim along with them, that this reforestation ought to be done by somebody. That being the case, the only thing to determine is who is the proper person to do it.

Mr. GOODYEAR. Mr. Clark, I do not want to be impertinent or say anything that is offensive, but when we get to crossing swords a little, you know sometimes a fellow lets a thing fly that he does not mean to have taken seriously. How about the treeless States? Have they all dried up—Illinois, Indiana, and so on?

Mr. CLARK. No; but they are drying up.

Mr. GOODYEAR. Is it because the forests are cut off?

Mr. CLARK. Yes, sir.

Mr. GOODYEAR. Where?

Mr. CLARK. Illinois did not have very much timber, but Missouri and Iowa and Ohio were thickly timbered countries.

Mr. GOODYEAR. Yes; but how about Illinois and Indiana and Iowa and Nebraska and all those States which never had any trees that we know of?

Mr. CLARK. They were benefited by the trees up at the heads of these streams.

Mr. GOODYEAR. But what about the streams that do not head up there? They have lots of rivers that are not dependent for their headwaters upon the Rocky Mountains.

Mr. CLARK. I know; but in addition to preserving what water falls, the theory is—and I suppose it is correct; it seems to be accepted by every scientific man on earth—that the trees produce moisture in the atmosphere, and that ultimately produces a precipitation of rain or water.

Mr. GOODYEAR. Well, you know the scientists have been wrong in a good many instances.

Mr. CLARK. I know they have been wrong a great many times, but they generally manage to get around to what is right at last.

Mr. GOODYEAR. When the facts demonstrate that they are wrong they acknowledge it.

Mr. CLARK. This competition that you as a hemlock man carry on with yourself as a yellow-pine man is a sort of a friendly competition, is it not?

Mr. GOODYEAR. Not a bit. One has not any more to do with the other than you have to do with either one of those propositions.

Mr. CLARK. No?

Mr. GOODYEAR. Not a bit.

Mr. CLARK. That is, you are trying to cut your own throat in business?

Mr. GOODYEAR. No, sir.

Digitized by Google

The CHAIRMAN. Mr. Goodyear, as I understand the theory of the scientists, it is this: That by preserving the forests and leaves on the ground, and what mold has formed from them from year to year, and the shade, you produce a sort of a reservoir which holds the moisture back; and finally it runs down and percolates through the sod that is there, or whatever you call it, and gets down into the streams, and that that delays the falling into the streams of this rain after it is precipitated.

Mr. GOODYEAR. Yes, sir.

The CHAIRMAN. It holds it back, as a sort of a reservoir. That is the theory I have seen, and I think that is unanswerable.

Mr. GOODYEAR. If that theory is true, then in the State of Pennsylvania, if anybody will go up there to look at the timber lands over which we have lumbered, they will find that there is a thicker mat of roots and leaves on the ground to-day than there was before we cut the timber off. Before we cut the timber off the trees were perhaps 10 or 15 or 20 feet apart; but all of those hills have grown up into a thick mass of undergrowth now, the roots of which extend over the ground much more fully.

The CHAIRMAN. That is where they did not cultivate the ground, but if they cultivate the ground there are not any roots or any undergrowth or anything of that kind; then there is no reservoir there. The soil is lightened, and drains off very easily, and the water goes off. Is not that true?

Mr. GOODYEAR. The water perhaps runs off very rapidly, but I will tell you——

The CHAIRMAN. There is another question I want to ask you: In the Philippine Islands I found that the Spanish laws in force before we took possession of the islands provided that no trees should be cut except mature timber, leaving the others to grow up. They did not go through and slash down everything, as our people do, and clean it up, but simply cut the large trees. I understood that that was the law under Spain itself.

Mr. CLARK. I will tell you about that, Mr. Chairman.

The CHAIRMAN. I am asking Mr. Goodyear; I will ask you later. I understand that that was the law also in Germany, and that in that way they were preserving the forests in those countries, and deforestation was not taking place as rapidly as it is in this country—which is the most rapid of any place in the world for deforestation or anything else, as I understand.

Mr. GOODYEAR. Yes; everything we do is rapid.

The CHAIRMAN. How would such a law as that operate in this country if we had the constitutional authority to compel them to cut only the large trees?

Mr. GOODYEAR. It would operate, in the first place, to establish the principle that you have a right to interfere with a man's private property.

The CHAIRMAN. I say provided we had the right, as they have there, to pass such a law?

Mr. GOODYEAR. Furthermore, you would increase the cost of lumber to the consumer.

The CHAIRMAN. At once, probably we would.

Mr. GOODYEAR. Yes, sir; at once.

Digitized by Google

The CHAIRMAN. But if that preserved the forests through a series of years, it would maintain a steady price through those years, would it not?

Mr. GOODYEAR. I do not know.

The CHAIRMAN. The price is increasing when we do not do that?

Mr. GOODYEAR. Yes.

The CHAIRMAN. Simply because you are cutting off the stumpage in the country?

Mr. GOODYEAR. Exactly.

The CHAIRMAN. And every year, on the apprehension (either real or created by the lumbermen) that we are going to run short of timber before a great many years, the price goes up.

Mr. GOODYEAR. Yes.

The CHAIRMAN. And it gets abnormal.

Mr. GOODYEAR. I do not think it is abnormal.

The CHAIRMAN. If we had such laws as that, and could preserve the timber and use only the matured timber for lumber, and let the other grow up before we used it, it would make a more steady supply; and in the centuries to come the price would be on the level all the way through, and the average of it would be much less than the prices as you gentlemen kite them up by cutting off the timber so fast.

Mr. GOODYEAR. You say the price has increased abnormally. I should like to have you look at the figures that were presented to you here to-day as to the increase in the price of steel and clothing and various other things that we use.

The CHAIRMAN. I have looked at those figures before; and what Mr. Hill read showed an abnormal increase in the price of lumber.

Mr. GOODYEAR. It is not abnormal unless all of the increases are abnormal.

The CHAIRMAN. Oh, it was greater than anything else.

Mr. GOODYEAR. It was simply the result of the demand of the people for greater supplies of lumber as well as for steel, which made it possible to maintain the price of steel rails at $28 during all the depression.

The CHAIRMAN. So far as steel is concerned, there is a supply for a great many years to come.

Mr. GOODYEAR. So there is in lumber.

The CHAIRMAN. And more being developed. But the lumber is all on top of the earth, and they can see what there is of it; and the supply is limited, as you say. The supply of hemlock is cut off in our State, and is being cut off in Pennsylvania. There is not much hemlock left?

Mr. GOODYEAR. Not a great deal.

The CHAIRMAN. It is decreasing in amount all the time. Now they have gotten at the southern pines, and they are using them up very rapidly.

Mr. GOODYEAR. They have gotten at the Pacific coast, too.

The CHAIRMAN. And the Northwest. I do not mean beyond the Rocky Mountains, but what we usually call the Northwest.

Mr. GOODYEAR. The same condition prevails there.

The CHAIRMAN. They are cutting it off very rapidly there?

Mr. GOODYEAR. They are cutting it off there.

Digitized by Google

The CHAIRMAN. They are doing a pretty big business beyond the Rocky Mountains in that way?

Mr. GOODYEAR. Yes, sir.

The CHAIRMAN. I know that they were in 1899; and they have been doing their share of it ever since.

Mr. GOODYEAR. Oh, they have been busy.

The CHAIRMAN. So it looks as though the supply was being cut down.

Mr. GOODYEAR. The supply is being cut down. The growth does not occur so rapidly. But the time has come to-day, I believe, for these various States to undertake this question of reforestation. They have done it in New York; they are doing it in Pennsylvania; they are doing it in Maine, and I do not know in how many other States.

The CHAIRMAN. If New York does not progress any faster in that direction than she has for the last ten years, it will be a hundred years after you and I have passed away before the timber begins to make any sensible increase.

Mr. GOODYEAR. If we die within any reasonable time, I suppose that will be so.

Mr. UNDERWOOD. Let me ask you just one question on this matter of reforestation that you are talking about: You have had experience both in the North and in the South?

Mr. GOODYEAR. In lumbering.

Mr. UNDERWOOD. Yes; in lumbering. If the state governments were to pass a law exempting from taxation for a period of years land that was devoted to reforestation, do you think that would induce private owners to attempt to reforest their lands?

Mr. GOODYEAR. I do not think so. I think they would prefer to sell the lands at a very low price to the State and let it carry on that business. That is because the States are organized for it; they have their departments, and it is not a business that——

Mr. UNDERWOOD. You do not think that would be sufficient inducement?

Mr. GOODYEAR. No; I do not think so. You see the lumbermen up in Pennsylvania, for instance, selling their land as the timber is cut off at from $2 to $2.50 an acre.

Mr. FORDNEY. Mr. Goodyear, I want to ask you a question, please. Mr. Hill showed some statistics here a little while ago to the effect that the increase in the price of lumber in the market far exceeded anything else produced in this country that he mentioned.

Mr. HILL. I gave you all that was in the tables.

Mr. FORDNEY. Whether it contained everything or not, I want to say this—that it is not true that lumber has increased in price in the past twelve years any more than farm products have. Is not that right?

Mr. GOODYEAR. I think that is correct.

Mr. FORDNEY. In the State of Michigan I know that farm products to-day bring more than twice what they did in 1896; and that is not true of lumber.

Mr. GOODYEAR. Yes; and, furthermore, while people talk about the increase of lumber, the increase is very largely in the stumpage—in the trees standing on the land.

Mr. FORDNEY. That is right. Mr. Goodyear, about when did you make your purchases in Louisiana—when did you begin?

Digitized by Google

Mr. GOODYEAR. I think we began something like about five or six years ago.

Mr. FORDNEY. But it is all since 1896, Mr. Goodyear?

Mr. GOODYEAR. Seven years ago, say.

Mr. FORDNEY. You made all of your purchases there under this protective tariff system?

Mr. GOODYEAR. Yes, sir.

Mr. FORDNEY. You believed that the Republican party proposed to protect your industry, as they had promised to do in the various platforms, when you made those purchases?

Mr. GOODYEAR. Certainly; we would have had no idea of doing it otherwise.

Mr. FORDNEY. If, now, we remove that protection while you are in the process of manufacturing and disposing of that product, you have been buncoed by the Republican party, have you not?

Mr. GOODYEAR. I am afraid I would give offense if I said so.

Mr. FORDNEY. Yes, sir; that is all.

Mr. GOODYEAR. There are quite a number of Republicans here.

Mr. HILL. Since the tariff of $2 was put on, twelve years ago, has not a new factor been introduced into the problem by the wood-pulp and paper industry?

Mr. GOODYEAR. The wood-pulp and paper industry absorbs a large amount of the spruce of the country.

Mr. HILL. And a very large amount of other kinds of lumber besides spruce, does it not?

Mr. GOODYEAR. Up in Pennsylvania we have a pulp and paper mill using hemlock entirely.

Mr. HILL. Yes; and they use still other woods besides hemlock and spruce, do they not?

Mr. GOODYEAR. No; I think not. They use hemlock alone.

Mr. HILL. Whatever they use, whether it is hemlock or spruce, it has to be replaced by some other kind of lumber; so it does not really make any difference what the material is that they use, does it?

Mr. GOODYEAR. Oh, yes—some other kinds.

Mr. HILL. Is not that an important factor?

Mr. GOODYEAR. I should say it was.

Mr. HILL. Yes.

Mr. GOODYEAR. In the lumber industry we have perhaps gone to a greater extent than usual in endeavoring to find ways for utilizing the waste that comes off the land. For instance, in Pennsylvania we induced a paper and pulp manufacturer to come in, and made him an exceedingly low rate of transportation to get the refuse on the land to his pulp mill and convert it into pulp, so that what used to be left there and was burned up and rotted and was destroyed is being put to some good purpose—that is, it is being made into an article that is useful to the people. In the South we have had a government station trying to find some way to preserve timber by various processes—the creosote process, and the sulphite of zinc process—which will tend to prolong the life of timber, and in that way reduce the amount required.

Mr. HILL. Yes; but that is an old process which has been in operation for twenty-five or thirty years to my certain knowledge.

Mr. GOODYEAR. Yes; but the Government is still experimenting to find out some cheaper method than that of putting the timber in tanks and then applying some pressure and heat to it.

Digitized by Google

Mr. HILL. With reference to the enormous quantities of lumber used for wood pulp and paper, I want to call your attention to this fact in regard to these figures which I gave a few moments ago—that while every other one of these schedules shows ups and downs in the prices and in the advances, and not a steady increase, the lumber increase was as follows—and it will not take but a minute to give the figures—95.8, 105.8, 115.7, 116.7, 118.8, 121.4, 127.7, 141, 146.9—a steady advance, right straight along, every year, without a break. Has not the wood-pulp question got something to do with that?

Mr. GOODYEAR. Yes; I think it has. They have used a very large amount of spruce timber in the manufacture of wood pulp, and it has affected the supply somewhat.

Mr. HILL. I understand that your theory is that in view of this enormous increase in wood pulp for building purposes that you advocate that the lumber men of the country should be allowed, first, to clean off the forests of the country, and then that the Government should step in and take the land thus cleared and reforest it.

Mr. GOODYEAR. Yes; and they will get it at a very low price. And I want to say, further, that in order to utilize this wood and waste that comes from the sawmills, within thirty days we sent a man to France to investigate the methods employed over there to utilize the products that are left in the shavings and in the sawdust that comes from these mills.

Mr. CALDERHEAD. Have you a sales agency in Kansas City?

Mr. GOODYEAR. No, sir.

Mr. CALDERHEAD. Do you sell there at all?

Mr. GOODYEAR. Well, our general sales office is Chicago. Salesmen go out to Kansas City, but we have no office in Kansas City.

Mr. CALDERHEAD. Do you know anything about the sales that are made in Kansas and Nebraska?

Mr. GOODYEAR. I don't know about the details of the sales. I only know what the general results are.

Mr. CALDERHEAD. That makes me ask you, is it a prevailing opinion out there that there is an agreement between the mill owners or the wholesale dealers to apportion out the whole territory that each man shall occupy, and then fix the prices at which the retail dealers shall sell?

Mr. GOODYEAR. Well, if there is such an agreement, I want to state just as emphatically as I can state, that I never knew of such a stipulation or understanding between lumbermen that anything of that sort should prevail.

I do not understand that there is any law in the land that prevents one lumberman from speaking to another and asking him what he is getting for his lumber. But so far as saying to him, "We will stand by that schedule, or this, and we won't vary from it," I do not believe such an agreement is in existence in the United States.

Mr. CLARK. In other words, you do not believe there is a trust in America, do you?

Mr. GOODYEAR. I think there are some things that they call trusts.

Mr. CLARK. Each one of them in turn would deny that there was a trust.

Mr. GOODYEAR. Oh, no; I don't think so. I don't know what a trust is. If anybody will define what a trust is I will be glad to know, so far as I am concerned.

Digitized by Google

Mr. CLARK. The Hon. Thomas B. Reed, of Maine, defined it as a very small number of very rich men entirely surrounded by water. That was his definition.

Mr. GOODYEAR. Do you think it was a good definition?

Mr. CLARK. Yes; I think it was a very good one. I want to ask you a question. Mr. Fordney asked you if you did not enter into this business down in Louisiana on the implied promise of the Republican party that they were going to keep this tariff on, and that if they took it off you would feel like you were being buncoed, and you said "Yes." Now, if the fellows out here that voted the Republican ticket this fall on the promise, or what they thought was a promise, from the Republican party to revise the tariff down, find out that it is not going to be revised down, but is going to be kept where it is, then do you not think that they would feel like they had been buncoed?

Mr. GOODYEAR. I do not think they put that in there. I do not think they promised to revise it down.

The CHAIRMAN. Do not let us have a joint debate on the tariff question.

Mr. CLARK. Now, you are losing money; all the lumbermen, according to the general statement they make, are losing money.

Mr. GOODYEAR. I beg your pardon, sir.

Mr. CLARK. If your statements did not mean that, I could not tell heads or tails of it.

Mr. GOODYEAR. It does not mean that.

Mr. CLARK. Does it mean that you want the tariff or not?

Mr. GOODYEAR. I don't want it put up.

Mr. CLARK. You want it to stay like it is?

Mr. GOODYEAR. I think as long as the protective principle prevails in this country that the protective tax that prevails as to lumber is no more than a reasonable tax as to that industry.

Mr. CLARK. Did you not state that you had a two-and-a-half million dollar plant down there that you had not been running because you could not sell the lumber?

Mr. GOODYEAR. Could not sell it at a profit.

Mr. CLARK. Well, if you could not sell it at a profit you could not run it, and you would be losing the interest on the investment?

Mr. GOODYEAR. Yes.

Mr. CLARK. That is, running at a loss?

Mr. GOODYEAR. It does not make any difference whether it runs or not—that is a loss.

Mr. CLARK. That is a loss?

Mr. GOODYEAR. Yes.

Mr. CLARK. If all the other lumbermen are in the same fix that you are in, how does it happen that the Dingley law does not make you prosperous?

Mr. GOODYEAR. I do not know. It is because of general conditions throughout the country. It is, perhaps, because the railroads, for instance—they are very large consumers of lumber, and perhaps the largest in the country as a class, and they have stopped buying anything. They did not buy locomotives or cars or lumber or anything else; they were not in the market for those things.

Mr. CLARK. You simply shared in the general depression of business?

Digitized by Google

Mr. GOODYEAR. We did at that time; yes. Now that there is a prospect of better times——

Mr. CLARK. The truth about that is that all these lumbermen that came in here and testified as to this lumber have picked out the worst year in the last eleven years to make their case on; is not that the fact?

Mr. GOODYEAR. I think they have had some other pretty tough years, and it is not all that beautiful glowing dream that some people would like to have the lumber business considered. We are not all prophets, able to determine what is coming to us in the future, and we have a great many things to contend with. We in the lumber business have almost every element in nature to contend with and to overcome in order to succeed.

STATEMENT OF R. L. McCORMICK, OF TACOMA, WASH., WHO CLAIMS THAT THE LUMBER INDUSTRY OF THIS COUNTRY STILL NEEDS PROTECTION.

FRIDAY, *November 20, 1908.*

Mr. McCORMICK. Mr. Chairman and gentlemen of the committee——

The CHAIRMAN. You represent the Weyerhæuser Lumber Company?

Mr. McCORMICK. I was sent here by the Pacific Coast Lumber Manufacturers' Association. I am connected also with the Weyerhæuser Timber Company. Our association represented the timber and lumber manufacturing interests of the State of Washington.

I hardly know what to talk about——

The CHAIRMAN. You think the subject has been pretty exhaustively covered, do you?

Mr. McCORMICK. Quite exhaustively; yes, sir.

The CHAIRMAN. If you have anything new to offer we will be glad to hear it.

Mr. McCORMICK. I think the subject has been quite well covered. I was invited to come here. I think the question seems to be whether the States need the protective duty to protect them against the competition from the other side of the line. Have the labor conditions with respect to the two countries been presented by Mr. Skinner or anybody else?

A VOICE. Yes.

Mr. McCORMICK. They have? All right.

We base our contention on the difference in conditions, the difference in values, and we base our statement that the tariff is necessary on the fact, first, that the timber, the base of the lumber proposition, costs us more money on this side of the line than it does on the other, and it is eminently proper that a legislative body on this side of the line should take up this question, for that is a public question.

The difference in conditions is on account of the difference in the policy of the Government on this side of the line and the policy of the government on the other side of the line. This side of the line, the Government sells her property, sells it to the purchaser, sells it in fee simple. On the other side of the line the policy, as to the greater part of the country, and especially as to the timber, is for

Digitized by Google

the government to retain the title to the property and lease it to the operator, which is the best for the operator.

I think I could say to-day that if I had no investment on either side of the line and there was any possibility of this Dingley tariff not being maintained, that I would get out of this city as quick as I could, and go up there and buy what stumpage there was on the other side of the line before somebody else got it; because the policy of that government is so liberal that it does not require money, to any extent, to acquire interest in timber. On the other side of the line, while you have to pay a nominal tax each year, it is not as great a tax as we pay on this side of the line.

The government furnishes the capital on the other side of the line, and you pay your principal when you cut your timber, 50 cents per thousand, any time within twenty-one years, while on this side of the line you put up all your money and carry it and pay your taxes on it, and have your investment, requiring a large amount of money.

I think I would much prefer to do business on that side of the line, if that was the only consideration.

We have our timber on this side of the line because we like the policy of this Government, because we were brought up on it, and we know that in many conditions it is better for us, something we could rely on, than to go to any foreign country and do business, and I personally like the idea of owning the land, not for its value, because there is not so much value in denuded timber land, but in this country wherever the lumberman goes and acquires a title to land, whether it is through preemption, scrip land, through the purchase of homesteads, or in any other way, development of the country follows; it is the individual property of somebody and the lumberman buys it or the citizen buys it, and from that starts a home, and there starts a center for citizenship that is continued and made permanent, and the little red schoolhouse follows the development of the lumberman, under the laws here, while on the other side of the line there is nothing of that kind, but it is a waste that goes back to the Government and civilization is not extended and made permanent.

As to the wages paid on the two sides of the line, I have not investigated that question this season, but heretofore when I have investigated it I have found the balance against us—that it costs more for wages on our side of the line than it does on the other side of the line.

We claim to employ Americans only. I ran for office once, and I came pretty near getting beaten because a concern that I had some friends connected with over in British Columbia employed Japanese labor. They could not do it safely on our side of the line, and they do not want to, but they do do it over there, and they employ Chinese labor, and they employ Hindu labor, and it is very rare that you see anything of that kind on this side of the line, and I have never seen anything except a few Japanese employed.

But in these pictures that were shown here, I presume by Mr. Skinner, in one picture there were shown the Hindus at rest, between the times they were occupied in labor, and across the breasts of some of those veterans of the war there were the British medals of valor, and those lumbermen have got to keep those people there. We send them back, but these men I refer to are British citizens and they can not be sent out of the country, and they are going

Digitized by Google

to be a menace to labor on that side and a menace to labor on this side.

This is rather political in its turn. I want to say to the Republican members of this committee that if the voters in Oregon, California, and Washington had had any idea that there would be danger of having free trade in lumber in the event of Republican success they would have voted the Democratic ticket. Bear that in mind. I did what I could, and my friends did what they could. I am a Republican, and always have been, and I did it willingly, but I would not have voted the ticket if it had been committed to a ticket of free trade.

Mr. HILL. Do you export any lumber?

Mr. McCORMICK. Yes, sir.

Mr. HILL. Where to?

Mr. McCORMICK. Australia.

Mr. HILL. Do you export any to British Columbia?

Mr. McCORMICK. British Columbia? No, sir. That would be shipped by rail.

Mr. HILL. There is a good deal exported to British Columbia from Washington. But you do export to Australia?

Mr. McCORMICK. Yes, sir.

Mr. HILL. You meet British Columbia competition?

Mr. McCORMICK. Yes, sir.

Mr. HILL. Are you able to meet it?

Mr. McCORMICK. Yes, sir.

Mr. HILL. And you have been meeting it right along in Australia?

Mr. McCORMICK. We do not do business there all the time, but we do sell more or less.

Mr. HILL. Why could not you meet it just as well in any other place in the United States as to meet it in Australia?

Mr. McCORMICK. Well, we do not have to keep a regular business going in Australia. We can take an order any time we are out of business elsewhere and sell it for a little less than we ordinarily sell it for, in order to keep our mill running.

Mr. HILL. But you do meet in an equal competition and in the same kind of product and continue business right along, do you not?

Mr. McCORMICK. No; we shut down quite frequently. We have shut down during the past year.

Mr. HILL. Puget Sound is a large exporting point for lumber, is it not?

Mr. McCORMICK. Yes, sir; it is.

Mr. HILL. The largest——

Mr. McCORMICK. Not the largest. Columbia River ships a very large amount of lumber to China.

Mr. FORDNEY. The sales of lumber that you make in Australia are sales of your high grades, not your low grades, are they not?

Mr. McCORMICK. Yes. We do not ship any low-grade lumber to the export trade.

Mr. FORDNEY. You can come nearer competing with British Columbia in the United States on high grades than you can on your low grades, can you not?

Mr. McCORMICK. Yes. We can compete anywhere on our high grades.

Digitized by Google

Mr. FORDNEY. That answers as to Australia. You only compete in Australia on high grades?

Mr. McCORMICK. Yes.

Mr. FORDNEY. Your low grades are what you lose money on, and it is on low grades that you want your American market preserved, is it not?

Mr. McCORMICK. Yes, sir.

Mr. HILL. As a matter of fact, do you not ship all kinds of lumber to Australia——

Mr. McCORMICK. No; we do not.

Mr. HILL. And to the Philippine Islands and Japan?

Mr. McCORMICK. No, sir. We have not shipped to the Philippine Islands. Australia is the principal market we have shipped to in that part of the world.

The CHAIRMAN. Do you not ship low-grade lumber to Australia?

Mr. McCORMICK. We do not.

The CHAIRMAN. That answers that question, then.

Mr. HILL. What do you mean by low grades; do you mean merchantable timber? I do not suppose you ship mill culls to Australia; but do you not ship scantling and 6 by 6 and 12 by 12?

Mr. McCORMICK. We ship timber, but I do not call that low grade.

Mr. HILL. Neither do I. Of course you do not ship culls.

The CHAIRMAN. Are there any further questions?

Mr. CLARK. The supply of timber in the United States is rapidly running short, is it not?

Mr. McCORMICK. I have heard some deny that that is the case.

Mr. CLARK. Is your name R. L. McCormick?

Mr. McCORMICK. That is my name.

Mr. CLARK. You read a paper on that subject before the Mississippi Lumbermen's Association, did you not?

Mr. McCORMICK. Mississippi Valley? What date was it?

Mr. CLARK. I can not tell you the exact date, but I have it here in a printed document, a document which was printed in 1903. Is that your article?

Mr. McCORMICK. Yes, sir. Well, I am older now than I was then.

Mr. CLARK. That is very witty, but there is less timber now in the United States than there was then.

Mr. McCORMICK. Yes, but my information is better now.

Mr. CLARK. You recant this article, then?

Mr. McCORMICK. I have not read it.

Mr. CLARK. You know what it is?

Mr. McCORMICK. In a general way.

Mr. CLARK [reading from an article entitled "The exhaustion of the lumber supply," by R. L. McCormick, president of the Mississippi Valley Lumbermen's Association and secretary of the Weyerhæuser Timber Company, published in a bulletin issued by the United States Department of Agriculture, Bureau of Forestry, Circular No. 25, under date of June 11, 1903].

Every man in the lumber business to-day whose dealings are of sufficient extent to be subject to influences beyond those of purely local demand and supply realizes that the lumber industry is in many regions surrounded by a growing scarcity of available timber. Statistics point to it. Estimates of timber resources still remaining point to it also. But the strongest proof lies in the conditions which already affect our industry.

Digitized by Google

That is paragraph No. 1 of your article. Do you recall that now?

Mr. McCormick. Yes; I thought that was quite a sentence when I wrote it.

Mr. Clark. Did you understand that when you wrote it?

Mr. McCormick. Yes; I did partially.

Mr. Clark. You have not learned very much in five years, have you?

Mr. McCormick. Well, I rather think I have.

Mr. Clark. Let me read you another sentence [reading]:

We have reached the point now when we are unable to supply the enormous demand for lumber which we have fostered. We must look to the production of a second crop upon lumbered lands, or prepare to stop lumbering when the first crop is gone. In the old days it was easy to lumber one forest and then turn to another. To-day, however, we can not count upon new fields to turn to. We must make the best of what we have, and wherever it pays we must lumber conservatively.

Do you stand by that or do you recant that?

Mr. McCormick. Well, I will say that my information is better than it was when I wrote that article. [Laughter.]

Mr. Clark. Your situation is a little different, too, is it not?

Mr. McCormick. To that extent, yes.

Mr. Clark. You were making a speech then and now you are asking us to keep this tariff.

Mr. McCormick. I do not think I am doing much but making a speech now.

Mr. Clark. That is the difference in situation, is it not?

Mr. McCormick. Possibly so. That was in 1903.

Mr. Clark. This was printed in 1903. I do not know when you made this speech.

Mr. McCormick. It sounds like some of my foolishness.

Mr. Clark. That is preceded by a communication from Mr. Gifford Pinchot, Forester, as follows:

U. S. Department of Agriculture,
Bureau of Forestry,
Washington, D. C., June 11, 1903.

Sir: I have the honor to transmit herewith three statements on forestry, which are especially intended for lumbermen, and to recommend their publication in Circular No. 25 of the Bureau of Forestry.

Respectfully,

Gifford Pinchot, *Forester.*

Hon. James Wilson,
Secretary of Agriculture.

Mr. McCormick. Yes. One of those articles was by the President, one by Mr. Pinchot, and the third one by myself.

Mr. Clark. You were a reformer then?

Mr. McCormick. I have reformed since then.

Mr. Clark. You were a reformer then, in the society of reformers?

Mr. McCormick. I am not in the society——

Mr. Clark. You have got out of the society; you have gone back on Roosevelt and Pinchot?

Mr. McCormick. Well, I voted for another man in the convention, anyhow. I am pretty well satisfied with the change.

Mr. Clark. Well, I want to know this now. I don't want to treat you unfairly, but do you stand by this flamboyant article? [Laughter.]

Digitized by Google

Mr. McCormick. Well, I would have to read it over again.

Mr. Clark. Do you want me to read it?

Mr. McCormick. I know one thing, Mr. Clark. I know that there is more timber standing in the United States to-day than I believed there was at the time I wrote that article.

Mr. Clark. I am glad to hear it.

Mr. McCormick. I use the words "I know" instead of "I believe." I know that there is more timber standing in the United States to-day than has been used in the United States since Christopher Columbus landed on our shores.

Mr. Clark. You say there is more timber in the United States now than there was then?

Mr. McCormick. Yes, sir; more than there was at the time the Pilgrims landed at Plymouth Rock.

Mr. Clark. What has become of all the timber that was cut down in all the States from Plymouth Rock clear across to the mountains and beyond?

Mr. McCormick. Let me make that clear. There is more timber standing, I say, than has been cut in the United States—than has been removed.

Mr. Clark. That is sort of like Mark Smith's tale that there are more Indians in the United States now than there were when Columbus landed.

Mr. McCormick. There are. There are more Indians in the United States now than there ever were. [Laughter.] I have never been on the Indian Committee, but I know the subject.

Mr. Clark. They are not all red Indians.

Z. W. WHITEHEAD BELIEVES IN AMERICAN MARKETS FOR AMERICAN MANUFACTURERS, PRODUCERS, AND LABORERS, INCLUDING LUMBER INDUSTRY.

Friday, *November 20, 1908.*

Mr. Whitehead. Mr. Chairman and gentlemen of the Ways and Means Committee, I rather congratulate myself and felicitate with you that I am here to-day in support of a principle and policy that the American people in their sovereign capacity at the ballot box only a few days ago indorsed with singular unanimity and by overwhelming majority. I refer to the principle of American markets for American manufacturers, American producers, and American labor, and, as an American lumberman, I stand for that principle here to-day foursquare to all comers against "the world, the flesh, and the devil."

There has been a time when it was said that if you had any enemy you desired to punish and didn't care to sandbag him on the highways or murder him under the cover of darkness, all you had to do to get even with him was to give him a sawmill. I am glad to say that for one I have outlived that day and time and have seen it come to pass when the sawmill man, once without credit or standing in his com-

Digitized by Google

munity, has rightfully taken his place in the ranks of the first and foremost citizens of the land. I am here to say further that in all the walks of business life there is no man who has contributed more to the well-being of his fellow-man and upbuilding of his country than the average lumberman, both with his brains and money, his energy and talents. In the Southern States I feel safe in the statement that he is possibly the star actor in the world's great drama of commerce and trade, and so far as my observation goes I can truthfully say that there is not a cotton mill, a woolen mill, an iron furnace, or a steel mill, railroad, or factory of any kind, a bank, or "sky-scraper" in any of our Southern States or cities but what you will find on the roll of stockholders or officers one or more, and possibly half a dozen, of the leading lumbermen in that territory. Their interests, as a matter of fact, have become so interwoven with that of the allied industries and every other enterprise in the South that any legislation or policy by the Federal Government antagonistic to their interests, or that might embarrass their operations, would be felt in every direction to which the ramifications of their business might extend.

For this new order of things there is a reason, and I am here to say that reason is to be found in the incidental protection afforded and thrown around the industry by and through the imposition of a $2 duty on foreign lumber imported into this country, whereby the pauperized products of other countries and produced by Hindoo, Japanese, and Chinese labor have been in part shut out and American markets held primarily for our own people. This, too, in the face of the fact that this $2 duty amounts only to a 12 per cent ad valorem tax, in comparison with a 30 per cent tariff on iron and steel, 32 per cent on cement, 28 per cent on wool, 40 per cent on earthenware, and 50 per cent on building stone. As a matter of fact, every rule of right and justice would demand that if lumber is to be protected on a parity with iron, steel, building stone, etc., instead of for revenue only, that the tariff on lumber should be raised to $4 and not less than $3 per thousand, rather than $2, as we now have it.

It is therefore plainly to be seen that any movement, by legislation or otherwise, inimical to the best interests of this great industry would rebound and react against whole communities. From communities these adverse conditions would extend to geographical divisions of the country and ultimately cover the whole land with its blighting influence.

Now, Mr. Chairman and gentlemen of the committee, if there be any doubts in the minds of you gentlemen or anyone else as to the extent and full measure of prosperity enjoyed by this country as the direct and indirect result of the operations of our present tariff laws and based upon the fundamental principle of protection to American industries, you have only to compare the conditions and prices of to-day, with everything prospering, every wheel turning, every saw cutting, with and under the free-trade era of the famous Wilson-Gorman bill, when prices were at and below the cost of production, when the fires were banked in the factories and mills, and wage-earners were walking about in idleness and Canadian manufacturers were supplying American markets with lumber.

Having conclusively demonstrated something as to the ramifications and extent of the operations of the $2 tariff on lumber, you can

Digitized by Google

not deny or escape the concrete fact that any repeal or modification of this law would necessarily invite disaster and demoralization not only to the lumber manufacturer, and cripple his usefulness to every community in which he is operating, but likewise create pandemonium among banks, not in one or two isolated cases but all over the country, beget a feeling of distrust between man and man, besides bringing down uncertain disasters upon the farmers, the merchants, the manufacturers, laborers, and all. Banks, I dare say, all over this broad land of ours are carrying at this time possibly as much lumber and timber paper as any other class of indebtedness, and who knows, Mr. Chairman, but what the repeal or modification of this $2 duty wouldn't at this time start a ball in motion that might end in such a loss of confidence between man and man, and the stability of the industry as well, as might repeat the panic through which the country has just passed and from which we are now emerging? Indeed, sir, these are questions that force themselves to the front, and, like Banquo's ghost, will not down at any man's bidding. As sentinels upon the watchtower, you must then be the judges and guardians of our interests at one and the same time.

Ever solicitous for the welfare of the "horny-handed son of toil," methinks I hear some one say, "But where does the farmer come in for a share of this prosperity?" Indulge me for a moment and I will tell you. Throughout the South there are hundreds and thousands of farmers in the rural districts owning small tracts of standing timber ranging in size from 100 to 1,000 acres and more.

During the period of protection and prosperity, which always travel hand in hand together, the manufacturer, as the result of his ability to cut his timber close and leave only the tops of the trees to rot in the woods, having a market in this country for his low-grade stocks as well as his uppers, enables him to get as much as 20 per cent additional raw material from the same land, and this in turn justifies the mill man in paying the present high level of prices for this stumpage in the rural districts. Thus it will be seen that the farmer, the merchant, the lawyer, the doctor, the banker, or whoever it may be in the outlying district shares equally with the mill man in the results flowing from high prices for lumber and the benefits a protective tariff measures out with an impartial hand to the manufacturers and landowner alike. At the same time the timber-land owner must of necessity share and share alike with the manufacturer in whatever depreciation that may be brought about in the value of the manufactured product in proportion as the profit is reduced by free competition with low-priced lumber from Canada and other foreign countries by Hindu, Japanese, and Chinese labor, which we all know can live on half what the average American must have. Therefore the present high standard of stumpage values is the legitimate child of the existing tariff on lumber, which I make bold to say has done more to enrich the farms and country people than all other agencies combined. Is there any objection to that? Hardly; and while I can only speak ex cathedra for the South, I do know of my own personal knowledge that many of the class just referred to have sold the standing timber on their lands during the past few years for as much as two and three times as much as the land, timber, and all originally cost them.

In this way what had been carried year after year as a dead asset, yielding no one anything in return, had now, under the operation of our

Digitized by Google

present tariff laws, been converted into dollars and cents. With the outcome of these tangible results materializing into cash, farmers, merchants, and others were in many cases enabled thereby to lift from their homes and plantations mortgages that had been hanging over their heads like a pall for years, the interest on which had "kept their nose to the grindstone" in season and out, sapping their vitals. Lifting these nightmares from their own "vine and fig tree" and removing the specter of the mortgagee's possibility of foreclosure under the red flag of distress, has made these people breathe in many cases for the first time in a lifetime an air of independence and freedom, emancipating themselves from a yoke of bondage that bordered closely onto slavery, do a better part by their children and household in the way of education and other social advantages, thereby giving to the world a higher standard of citizenship and womanhood. Could more be said of any policy, gentlemen? I hardly think so.

With the country people, then, sharing equally with the manufacturers in the present high level of stumpage values, employees of the mills regularly employed at good wages, the distribution of profits is mutual and general. The banker and capitalist find ready customers for their money, the merchant buyers for his goods and wares, the farmer good prices for his produce, and so on down the line. Remove or repeal the $2 duty and foreign interests come in and monopolize American markets. As a result, the foreign wage-earner and employee is paid the salary and given employment while the American walks about in idleness. This results in many of our mills and factories closing down or running half time. Fewer men, accordingly, find employment, and those who do are given it at reduced prices. Their earning capacity is proportionately reduced, their usefulness to themselves and their families crippled, and the farmer in turn sells less of the product of the soil, and what he does sell is sold at reduced prices.

Thus it will be seen that the profits are reduced to the minimum on all sides and from all sources by the repeal of this tariff, while capital, like the proverbial Arab, quietly folds its tent and "steals away to places new and pastures green." Naturally the volume of freight for transportation shrinks, and out goes another army of employees with no earning capacity and a reduction in the pay of those who find work. Banked fires and idle machinery stand out solitary and alone as mute sentinels over the folly of the professional politician, who is furnishing employment for the foreigner, while the American laborer is wearing out the seat of his breeches waiting for the time to come when he can buy a suit of clothes for $10 that he now has to pay $12.50 for, and $2 for a hat that he now has to pay $2.50 for, the difference being that under a protective tariff he has the $12.50 with which to pay for the suit and $2.50 with which to pay for the hat, while under free trade he has neither or any visible means of making it.

In a moment of desperation some one not acquainted with the facts takes the position that Canadian lumber is no competitor for southern pine. No one familiar with the constituent elements of these woods would dare make that statement before an intelligent audience. It was my good fortune to have been born and raised in the piney woods of North Carolina, and while Canadian pine is not

Digitized by Google

of the same variety as long-leaf southern yellow pine, it is similar in many respects to the short-leaf pine of the South, and may justly be classed among the same family. Now, it is a notorious fact that short-leaf pine has been substituted in many instances for long-leaf yellow pine, as well as white pine, and as time wears along will be substituted for as many more, and just as short-leaf pine in the South has been substituted for long-leaf pine and long-leaf pine for short leaf, just so will Canadian pine be substituted for southern pine as soon as the tariff is removed and American gates are opened free to Canadian manufacturers. This is as certain as water seeks its level, and by reason of the close proximity of the Canadian forests to the eastern territory it stands to reason that with the $2 duty removed and a lower rate of freight than we enjoy from the South to eastern cities, that the Canadian manufacturers will monopolize the best markets in this country for southern pine, if that duty should be taken off.

Some one has said we are shipping southern pine away up into the Lake States—Wisconsin, Minnesota, Michigan, Iowa, and other points in the extreme Northwest—all of which is true, and we are able to find a market there for this great southern product chiefly because of the practice of the American principle of protection to American industries, holding the markets even in those distant States, almost bordering on the Canadian line, for American manufacturers and shippers. And why not? We of the South buy much of our machinery, lumber and logging equipment, cereals, etc., from all that territory, and why not our northwestern friends buy their lumber of us? So far as the legitimate American manufacturer is concerned, he is in favor of it, but when you come across some fellow who is directly or indirectly interested in Canadian timber you will find him singing an entirely different tune. That being true, the question resolves itself into this—whether an American Congress will legislate in favor of American manufacturers and against outsiders or in favor of outsiders and against American manufacturers. That's the issue, and you can't evade it.

According to the reports of the Yellow Pine Manufacturers' Association of the South, we have shipped already during the first eight months of this year from the States of Alabama, Mississippi, Louisiana, Texas, Arkansas, and Missouri, to say nothing of the amount shipped from the South Atlantic States, covering the two Virginias, Maryland, and South Carolina, Georgia, and Florida, 39,626,773 feet of southern pine into Michigan, 184,351,584 feet into Illinois, 25,334,639 feet into Wisconsin, and 91,990,231 feet into Iowa. With the repeal of the $2 tariff this territory would be largely, if not wholly, supplied from Canada. If you would let down the bars and open wide the gates of the United States to Canada, Mexico, Australia, British Columbia, Vancouver, the Bahama Islands, and other countries where the price of stumpage ranges far below that in this country, you wouldn't be long finding out where the American market will go.

From the figures at hand the South produces on an average about 18,000,000,000 feet of lumber annually, or in round numbers practically one-half of all the lumber produced in the United States. It is estimated by experts that we have possibly 250,000,000,000 feet of lumber standing on the stump in the South to-day. Having shown

Digitized by Google

that under a protective tariff there is a profit in the manufacture of this lumber for our people of approximately $3.50 per thousand feet, $2.50 of which would be lost by the repeal of the tariff, and the uncertainty in prices that our manufacturers would have to indulge in to capture the business would amount to another $1.50 to $2, so that the South would lose by one stroke of the pen just $63,000,000 annually, thereby entailing still greater loss, for striking down the lumber business would undermine the foundation of other industries and ultimately carry all down together; or, on the present volume of stumpage standing, by the time it is cut up we would have lost the stupendous sum of $882,000,000. This much, to say nothing of the shrinkage in other lines, which will easily aggregate ten to twenty times as much.

Now, the next question forcing itself to the front is by whom this loss of so many millions of dollars in the South be sustained—by the mill men altogether? Not a bit of it, but by the farmer as well, the merchants, lawyer, doctors, bankers, and others in the rural districts, villages, and towns throughout the land, as we showed above, owning parcels of stumpage ranging from 100 to 1,000 acres. But the damage done by the removal of the $2 duty on lumber wouldn't stop here. Similar losses would have to be sustained by iron, steel, tin, coal, wool, cotton, hides, and other lines of manufacture, besides hundreds of other things needless to mention here. Such losses would aggregate figures so appalling and far-reaching as to paralyze trade and commerce in every avenue of business and arrest the wonderful progress of industrial development now going on throughout the land, reducing the earning capacity of every wage-earner in the land, curtailing the volume of freight moving over railroads, etc. At the same time there would be a curtailed demand for everything made or manufactured in this country, as well as the products of the farm, the field, the vineyard, and the forest. This would necessarily carry with it a reduction in the number of employees and the wholesale discharge of men not only in the railroad service, but in factories, mills, mines, banks, and every other occupation, and correspondingly lessen the purchasing power of another element of buyers whose consumptive capacity is enormous each year.

In conclusion, I would state, Mr. Chairman, that there are those who also contend that the repeal of the present $2 tariff would prolong the life of our timber supply and thereby conserve American forests. A bigger mistake could hardly be arrived at. With the tariff repealed or modified, so much timber would be left in the woods for the want of a market for our low-grade lumber that the manufacturer would have to cut up practically 20 per cent more acreage to get the usual stumpage each year that the life of our forests would be actually cut short from one-fourth to one-fifth.

In the light of all these facts, then, gentlemen, I for one draw the line at opening our gates to the free importation of foreign lumber to the United States in open competition with our own people. I stand for this doctrine and principle for the reason that it has been this policy that has built up and made the United States the leader in that grand galaxy of nations inhabiting the earth. It has been this policy that has built up a home market and furnished ready employment for every willing hand and vouchsafed a maximum earning capacity for every wage-earner in America. It has been this policy

Digitized by Google

that has multiplied our manufacturing industries in every State throughout the Union, and dotted the hillsides and plateaus of Dixie with mills, factories, mines, and manufacturing industries of every name and kind. It has been this policy that has enabled the lumberman to bear aloft the torch of civilization and plant the seeds of progress and development in the dark corners of wild woods and rural districts, exploring forests, stream, and jungles, perchance facing sickness or death on the one hand and isolation from home, family, and comforts on the other, thereby stimulating thrift and industry among a people who might otherwise have become laggards, and transforming a howling wilderness into fields of growing corn, wheat, rye, oats, barley, orchards, and vineyards, as well as thriving towns of commerce and trade, and lifting the standard of American citizenship to higher ideals.

It has been this policy that has contributed largely to the establishment and maintenance of banks and other corporate wealth in all parts of the country and thereby furnished a working capital for the development of other resources and the upbuilding of our industries, for it would, indeed, be difficult to find a bank or any other manufacturing enterprise in any country without a lumberman being on its directory or one of its principal stockholders and officers. It has been this policy that has builded so many cotton, iron, and steel mills all over the land, under the shadows of which have been reared churches and schoolhouses where religion and education had hitherto been oftentimes unknown before. It has been this policy that has laid the foundation and oftener than otherwise driven the first spike in lumber roads that subsequently developed into important divisions of great trunk-line systems. It has been this policy that has attracted capital into our midst and thereby made possible the accomplishment of things otherwise impossible. It has been this policy that has revived and imparted new life into waning industries, restored lost confidence between man and man, and inspired fresh followers in every great movement for the upbuilding of our country and the development of our resources, without regard to geographical divisions. It has been this policy that has beckoned the capitalist and builder upward and onward in the march of progress and development, proven the sheet-anchor of his safety for investments and a guaranty of legitimate returns on his money. It has been this policy that has brought order out of chaos and prosperity out of adversity, peace and plenty to the hearthstone of the hovel as well as the fireside of the palace. Indeed, it has been this policy that has made "two blades of grass grow where only one grew before," caused our land to blossom and bloom like a rose and "flourish like the green bay tree," and, I may add in conclusion, Mr. Chairman, that every time we have departed from this policy and wandered after strange gods it has only been a case of history repeating itself, and we have accordingly repented of of our folly in "sackcloth and ashes."

Digitized by Google

STATEMENT OF CAPT. H. H. TIFT, OF TIFTON, GA., IN ADVOCACY OF RETENTION OF PRESENT DUTIES ON LUMBER.

FRIDAY, *November 20, 1908.*

Mr. Chairman and gentlemen of the Ways and Means Committee, I represent the Georgia-Florida Sawmill Association, the membership of which is composed of sawmill men in the States of Georgia and Florida; about 175 mills represented in that association.

I am also a manufacturer of yellow-pine lumber, both in the State of Georgia and in the State of Florida.

I wish to state very briefly some of the reasons that appeal to the Georgia-Florida lumber men why the tariff on lumber should be maintained under the present schedule.

I wish to say that the production of lumber in Georgia is about 800,000,000 feet. The production of lumber in Florida is about the same amount. I think the lumber industry in Georgia ranks second, agriculture only employing more men and having more money invested in it than the lumber industry.

In 1907 there were about 1,000 sawmills in operation in the State of Georgia, and perhaps 700 in operation in the State of Florida. Since the panic a great many of those mills have gone out of business and the number of mills in operation is considerably less now.

I want to say, as to the question of tariff affecting our lumber in Georgia and Florida, that the problem in our mills—and it is a problem confronting all the sawmills the world over, perhaps—is to find a market for our low-grade lumber.

Right here I want to refer to the question of the conservation of the forests. The only way in which we can conserve our forests in the States of Georgia and Florida, in my opinion, is to find markets so we can utilize the whole product of our forests.

As you gentlemen are no doubt aware, our forests are boxed for turpentine, and the turpentine industry covers practically the whole territory of southern Georgia and Florida. The lumber is there boxed, or will be boxed as the turpentine men reach it. That brings about a condition which makes it a necessity that that timber should be cut by the lumber men within a reasonable period of time, because, as I presume you gentlemen know, it is the custom down in that country—and it is a custom which we are trying to stop—that the farmers and people who own cattle burn the woods off every spring. They think that is just as necessary as to plant the crops. The result is that fires go through and destroy an immense amount of timber every season. That is a condition that exists there.

Now, to come to the problem where we would be affected by the abolition of the tariff, as I stated, we are trying to find a market for our low-grade lumber. We are trying to get everything we can out of our timber, and the effect of the removal of the tariff would be to bring us in competition with the low-grade lumber of Canada, as well as the other forest countries—British Columbia, Mexico, Nova Scotia, and possibly British Honduras.

Mr. CLARK. Do you think there was ever a stick of lumber shipped into Georgia?

Mr. TIFT. No, sir; we do not think so——

Digitized by Google

Mr. CLARK. How would it bring you in competition with them, then?

Mr. TIFT. Simply because the market for our timber is not in Georgia.

Mr. CLARK. Part of it is in Georgia.

Mr. TIFT. Only a small portion of our lumber is sold in Georgia.

Mr. CLARK. You do not ship in lumber from the outside that you use in Georgia?

Mr. TIFT. No; but we ship our Georgia lumber into markets north of the Ohio River, into New England, New York, Pennsylvania, Maryland, and West Virginia, and all through that territory.

Mr. CLARK. What do they burn those woods off for?

Mr. TIFT. Well, they do it because their daddies have done it; they do it so as to get early range for the cattle. At least that is what they say.

Mr. CLARK. Does it hurt the trees to burn the woods in that way?

Mr. TIFT. Yes; it does.

Mr. CLARK. Does the fire burn the trees?

Mr. TIFT. Yes; there are millions of feet of lumber burned up every year.

Mr. CLARK. Mostly dead trees?

Mr. TIFT. Not only dead trees. It kills the trees with leaves on them.

Mr. CLARK. Do you have any grass like timothy or clover that you do not have to sow every year—perennial grasses?

Mr. TIFT. We have the Georgia wire grass.

Mr. CLARK. Is that good pasture grass?

Mr. TIFT. It is pretty fair pasture grass; yes.

Mr. CLARK. Is that what they burn that off for?

Mr. TIFT. They burn the woods off so as to bring that grass up a little earlier.

Mr. CLARK. You follow the same plan they used to follow on the prairies?

Mr. TIFT. We lumbermen do not; it is the farmers, the country people, that do that.

Mr. CLARK. They do not burn anybody's trees except their own, do they?

Mr. TIFT. They burn that whole country, and a regiment of soldiers could not stop it, in my opinion.

Mr. FORDNEY. The timber burns more rapidly after being turpentined, does it not?

Mr. TIFT. Yes, sir. Those fires do not injure virgin timber very much, but they burn a considerable portion of all the timber that is boxed.

The CHAIRMAN. After it is turpentined you use it for lumber?

Mr. TIFT. Yes, sir.

The CHAIRMAN. You have got an advantage by reason of using the turpentine as a by-product.

Mr. TIFT. The lumbermen do not get the benefit of that.

The CHAIRMAN. You take it out for amusement?

Mr. TIFT. No; we take the timber after the turpentine men get through with it.

Mr. HILL. You say you want to find an outlet for your low grades of lumber?

Digitized by Google

Mr. TIFT. Yes, sir.

Mr. HILL. Your market is largely Sound ports, is it not?

Mr. TIFT. Yes, sir.

Mr. HILL. And you ship by water?

Mr. TIFT. Yes, sir. That brings out one feature of our business that I would like to call to the attention of the committee.

Mr. HILL. One moment before you go into that. I would like to inquire what you sold common roofers for last year?

Mr. TIFT. We have not a roofer grade.

Mr. HILL. It is about the lowest there is, is it not?

Mr. TIFT. It is equivalent to our No. 2——

Mr. HILL. Coarse common. In 1907, what was the price, delivered in Sound ports?

Mr. TIFT. A grade equivalent to roofers—we do not ship a roofer grade——

Mr. HILL. Did you not get from $18 to $20 a thousand for it?

Mr. TIFT. No, sir.

Mr. HILL. That is what they paid up there.

Mr. TIFT. At what point, sir?

Mr. HILL. How low did you sell that twelve years ago or fifteen years ago?

The CHAIRMAN. Which one?

Mr. HILL. The same grade.

Mr. TIFT. I hardly know what to say as to roofer grade, because that is not a grade in yellow pine. I understand it is equivalent to our No. 2 common grade.

Mr. HILL. Very coarse, knotty boards.

Mr. TIFT. Eight inches and upward?

Mr. HILL. Yes; and tongued and grooved.

Mr. TIFT. The price of that kind to-day is $10. Last year——

Mr. HILL. What do you mean; delivered at Sound ports?

Mr. TIFT. I am speaking f. o. b., mill prices.

Mr. HILL. What do you pay Sound ports?

Mr. TIFT. My mill is a railroad mill, 130 miles from Brunswick. Our rate is $4 a thousand. The average freight rate to New York will be from $5 to $6.50, depending on conditions. The rates now, for the last year, I think, run from $4.50 to $5. It goes up as high as $7 some seasons.

Mr. HILL. That would make it about $20 delivered. What did you sell them at twenty years ago?

Mr. TIFT. About twenty years ago we did not make any.

Mr. HILL. Oh, yes; I bought them myself.

Mr. TIFT. You mean in the yellow-pine district?

Mr. HILL. North Carolina.

Mr. TIFT. Roofers is particularly a North Carolina product. Our yellow pine goes into a different working lumber. We are just now beginning to make some roofers in yellow pine. We regard it as No. 2 common—No. 2 common, or roofing boards. Under the present market they are worth $10. A year ago the same grade of lumber would have brought about $5 more.

Mr. HILL. That would make it about $23 delivered up there?

Mr. TIFT. Yes, sir.

Mr. HILL. You do not sell it as low as $12 delivered up there?

The CHAIRMAN. He said ten, I think.

Digitized by Google

Mr. HILL. No; I mean mill price.

Mr. TIFT. I never shipped any there myself. I could not say on my own knowledge.

Speaking in regard to the necessity for getting all of the output from a given body of lumber, perhaps if I give you an experience it will illustrate the point I want to make.

I commenced sawing lumber in Tifton in 1872. That was before we had dry kilns or planing mills. We simply manufactured then practically hard lumber. Everything that did not make hard lumber was left in the woods. We would cut down our trees and leave the tops, and the stumps, and our average output in 1872 was from 2,000 to 2,500 feet. Since that time we have put in dry kilns, planing mills, shingle mills, and lath mills, and have endeavored in every possible way to extend our market to increase our product from our timber. The same timber that was cutting 2,000 feet to 2,500 feet to the acre in 1872 will cut now with the market we have about 10,000 feet to the acre. That is the point I wish to call to your attention——

Mr. RANDELL. There are immense forests and all sorts of timber in Mexico that would compete with your southern timber if the tariff were removed?

Mr. TIFT. Yes. I think there is no question of that.

Mr. RANDELL. And they are very easily accessible to the East and that lumber can be delivered at Gulf ports and Atlantic ports?

Mr. TIFT. I am not very familiar with the situation, except that I understand that there are large bodies of good pine timber in Mexico, and I presume it is available to the ports. I am also advised——

Mr. RANDELL. And that could reach the Gulf ports and Atlantic ports and compete with the southern lumber, and of course that could reach the ports they have in Texas and be available for building material all through the western territory, all through the western prairie country, could it not?

Mr. TIFT. Yes, sir. And that timber could also be shipped in foreign bottoms to eastern markets at a freight rate very little above the freight rate that prevails as to coastwise vessels.

I want to say a word as to delivering our shipments from Georgia and Florida ports into New York. Those shipments employ a very large number of American coasting vessels; not only employ a large number of coasting sailing vessels, but furnish a very large amount of freight to coastwise steamers.

Now, if that volume of business is to be turned over to Canada and Nova Scotia and Mexico that volume of lumber would be moved in foreign bottoms; so that instead of serving our coastwise trade, as well as increasing our merchant marine, the effect of transferring this business from Georgia and Florida to Canada would be to transfer the carriage of this lumber from American vessels to foreign vessels. I think that is a matter that ought to be considered in that connection. I think it has been stated during this meeting that the revenue derived from Georgia lumber is about $3,000,000. I think it has also been stated that the labor conditions in British Columbia and Canada were possibly about the same as in this country, and the inference was that it would cost as much to make lumber in Canada as it would cost to make lumber in this country, and that therefore we

Digitized by Google

need not fear the importation of lumber from Canada, Nova Scotia, and the British provinces.

But that brings me back to the question of the disposition of the low-grade products. We are trying to extend our markets in the East and in the West. That product with the tariff off would come in from Nova Scotia and Canada into the eastern market at New York, and as a business proposition it would drive us out of those markets, or put us where we could not compete. They would get into New York on quicker time and lower freight.

Mr. FORDNEY. You believe in the general principle of protection to American industry?

Mr. TIFT. Yes.

Mr. FORDNEY. You do not want your industry taxed at the expense of all others, do you?

Mr. TIFT. No, sir.

Mr. FORDNEY. Therefore you want a $2 duty retained in order to let you compete in markets with your neighbor instead of the Canadians?

Mr. TIFT. Yes, sir; and not only that——

The CHAIRMAN. Oh, answer the question. Do not go on with a speech.

Mr. FORDNEY. The gentleman is trying to answer, and I am satisfied with his answer. Go ahead and answer.

Mr. TIFT. I simply wish to say that as a reason for not wanting the tariff changed we did not wish to change the present business conditions. If the tariff is changed in any respect, we have to adjust our conditions. We want to get down to a basis where we can get along.

STATEMENT OF J. D. LACEY, OF CHICAGO, ILL., WHO URGES THAT DUTIES ON LUMBER BE NOT REDUCED.

FRIDAY, *November 20, 1908.*

Mr. LACEY. Mr. Chairman and gentlemen, I am interested in the lumber business to an extent, but more particularly in the land end of the business.

I heard a great many questions asked to-day in reference to the stumpage part of the business and the general timber industry of the country, and also as to the tariff in relation to Canadian lumber.

I have been in this timber business for about thirty years, in all parts of the Atlantic States and Canada, and in South and Central America. So I have given it a pretty careful investigation, both as to quality and quantity, and also with reference to the tariff from time to time, as it has come up.

I have been in the southern lumber business since 1890, in Georgetown, S. C. I have been in the short-leaf pine and cypress business.

During the Wilson bill we lost money on our lumber, on account of the low price for low-grade stock. The first four years we were in business we did not make any money. Since then we have made a fair profit. We have paid a dividend of from 6 to 10 per cent a year.

But while there has been a moderate profit on the lumber manufactured, in the same locality there has been an increase of several hundred per cent in the value of the stumpage itself, and the whole

Digitized by Google

question to-day, in the increased cost of lumber, resolves itself down to the increased value of stumpage and the increased value of labor. And when I say labor I mean not only the labor that enters into the wages to our employees, but labor that enters into the wheat and corn and oats and everything that the lumbermen buy.

There has been a great deal of talk to-day about saving to the farmer, that the price of lumber was too high for the farmer. But I have not heard anyone say that wages should be cut down. If the price of lumber is too high, there is only one way to reduce it, and that is to reduce wages. You can not reduce the price of stumpage, because more stumpage is owned by more people probably than any other industry in the country.

It is the general idea that the holdings are in a few hands, but that is a very erroneous impression. There are thousands and thousands of individual owners.

My business has been in the West for the last twelve years, to consolidate the homestead and the timber claims into larger and more compact bodies, to make them more valuable for operating purposes.

The same way in the South and other sections of the United States. So I am probably as familiar with the holdings of timber land as any man in the United States to-day, and I know while there are very many large institutions and a great many individuals holding large bodies of timber there are also a great many holdings in the hands of individuals which are small holdings—a great many individuals have small holdings.

If you reduce the duty on lumber, you must reduce the duty on other things to make wages lower, to bring the price of lumber below what it is. I do not think you will ever see the price of stumpage lower than it is. I have been watching it. I have been in the business ever since I was a boy, forty years ago. I knew something about it when I was a boy in Pennsylvania, and then I went from there to Michigan, and I know that you could buy the best lands there from $2.50 to $5 an acre. From Michigan I went to Missouri. In Missouri in 1880 we bought timber land at 50 cents an acre; in fact, it sold as low as 30 cents an acre.

Then, as the stumpage in Michigan increased in value, the lumber industry of the South developed and stumpage value increased. Then, as the stumpage in the South grew in value, the coast timbers came in the market and the values of stumpage on the coast advanced.

Now, in Canada, the custom there is entirely different from what it is in our country. The government there leases the land on from five to twenty-one year leases. It is sold at auction to the highest bidder. A large percentage of those government leases to-day are owned by individuals, just the same as the timber is owned here, and I have known leases to sell as high as $10 per thousand for white pine stumpage.

Ordinarily, though, the price of Canadian stumpage is very much less than our American stumpage.

In eastern Canada the price for labor is a little less than it is in the South. In portions of British Columbia it is less. In other portions it is higher. While in some localities in Canada labor is practically equal to the United States, in other localities it is considerably less. Particularly is that so in Nova Scotia, New Brunswick,

Digitized by Google

and Quebec. That is the section that more particularly affects the East than any other section of Canada. We get it to New England in competition with our low-grade stock, and we get it by canal by the St. Lawrence River.

I am interested in a sawmill in North Carolina. We cut hemlock, spruce, poplar, and some other hard woods. Our mill has been shut down for the last year.

A friend of mine in Quebec has shipped within sixty days 8,000,000 feet of spruce into New York at a lower price than our Virginia friends could ship it for.

In conversation with the various manufacturers of lumber in Canada, in discussing this tariff problem, which I did last summer—I spent six weeks in Canada and saw several lumber men while I was there—as a rule they do not want this tariff changed; they would rather see it as it is. One reason is, it would cause an unsettling of the market. Another reason is, they haven't any more lumber over there than they want. It will not be very long before that portion of the country will be wanting to ship in lumber themselves. If you take off this $2 a thousand duty, they tell me that they can cut their timber closer and ship that low-grade stuff into our markets. That we all know. The moment that is done our manufacturers can not, or will not, cut the low-grade stock—the top log—that in the last few years we have been cutting, and that would be left in the woods.

In 1880, when I first went South, in Louisiana and Mississippi and those coast States, we estimated what the value of government land was. It was nearly all vacant then, and it was timber land. In 1879 it was offered at $1.25 an acre. We located several million acres for northern lumber companies. We estimated those lands would cut about 6,000 feet per acre, as they were then cutting timber. They were not going above the first limbs; the balance was left in the woods or burned up.

The CHAIRMAN. Did they make money then?

Mr. LACEY. They did not make very much then.

The CHAIRMAN. They were struggling along?

Mr. LACEY. Yes; they were struggling along. The local lumber men there were mostly cutting government timber, and even then they could not make any money.

The price began to advance as stumpage began to advance in value. We began to increase our estimates and they began to cut more to the acre. It has grown from 6,000 until to-day in Louisiana and Mississippi they are cutting from 12,000 to 15,000 feet to the acre, or they were a year ago. At the present time they are not doing it because the general depression has prevented them from making it profitable. But with the prices that prevailed they were able to take out most of the tree and work it up so that it was profitable.

That is one of the greatest sources and will be one of the greatest sources of conservation for the present stand of timber that we can have, the proper maintenance of a price that will warrant the taking out of the entire tree and making it into some useful product, lumber and building materials of various kinds, pulp wood, and many other things that it can be worked into, when the prices of commodities will warrant it.

Digitized by Google

On the other hand, if we reduce the price of our lumber we can not afford to work out the full amount that there is in the woods, and the length of time that our timber will last will depend very largely on how we cut it.

We will cut 66 or 100 per cent, and it will depend largely on what the price is whether we cut two-thirds of the timber and leave the other third in the woods to waste, or take out all the available timber. because the lumbermen are like the rest of humanity; they work for a profit.

The CHAIRMAN. How long prior to 1907 did they cut this low-grade stuff and make it up into lumber?

Mr. LACEY. About ten years. It began in the South; in Missouri first, and then in Arkansas, Louisiana, Mississippi, and other coast States.

The CHAIRMAN. Did they cut that and make a profit?

Mr. LACEY. Not on the low-grade stuff, but there was a price high enough to warrant making more of the low grades.

The CHAIRMAN. You say you did not make any profit on low grades?

Mr. LACEY. Very rarely you do on the low grades.

The CHAIRMAN. That gives you a loss?

Mr. LACEY. You dispose of your low-grade product so as to help out to some extent—you want to get something for it if you can, to make up the average.

The CHAIRMAN. And what did you sell it for?

Mr. LACEY. It depended on what section of the country you disposed of it in——

The CHAIRMAN. Oh, well, what was the average price?

Mr. LACEY. It makes a great difference. For instance. the average price from 1884 to 1892 was from $10 to $12 a thousand——

The CHAIRMAN. How much was the high-grade stock worth at that time?

Mr. LACEY. In Michigan white pine was up to $20 and $22 a thousand.

The CHAIRMAN. Did it cost any more to make the low-grade stock up into lumber?

Mr. LACEY. Yes; because you have more expense.

The CHAIRMAN. How much more difference?

Mr. LACEY. I could not figure that out to a nicety. There are more logs—some logs and the tops simply knotted—it costs more to saw them; it takes more time to handle them. The cost is more expensive all the way through.

The CHAIRMAN. It didn't cost much more?

Mr. LACEY. Well, it cost about $1 or $2 a thousand more, probably.

The CHAIRMAN. And you were able to make it at a profit. Of course, last year the price of lumber was low?

Mr. LACEY. Yes; it is low now.

The CHAIRMAN. There is not much demand for it?

Mr. LACEY. No.

The CHAIRMAN. Have you cut wages?

Mr. LACEY. Somewhat.

The CHAIRMAN. How much?

Mr. LACEY. Probably from 5 to 10 per cent.

The CHAIRMAN. Has there been any general cut of wages?

Digitized by Google

Mr. LACEY. I think there has been; yes, sir.
The CHAIRMAN. A general cut in wages?
Mr. LACEY. Yes, sir.
The CHAIRMAN. Where?
Mr. LACEY. In the South.
The CHAIRMAN. In the South?
Mr. LACEY. Yes, and in the West.
The CHAIRMAN. South and West. You know that is a pretty large territory.
Mr. LACEY. You might say all the way from Richmond, Va., to British Columbia on the Pacific coast.
The CHAIRMAN. How much of a cut in wages has there been?
Mr. LACEY. It would vary in different localities. In our own mills we have cut wages from 10 to 15 per cent. Probably it would not average over 10 per cent.
The CHAIRMAN. And how much did you cut your dividends?
Mr. LACEY. We have not had any dividends.
The CHAIRMAN. You mean in the last year?
Mr. LACEY. We have not had any in the last year; no, sir.
The CHAIRMAN. You never have had any?
Mr. LACEY. Not in the last year.
The CHAIRMAN. Ten years before—for ten years you have had dividends, have you not?
Mr. LACEY. We had dividends for about eighteen years regularly.
The CHAIRMAN. How much?
Mr. LACEY. We pay regular 6 per cent dividend, and occasionally we would have a surplus and we would put it in timber lands.
The CHAIRMAN. Did you put your surplus in the stumpage?
Mr. LACEY. Yes; we have acquired more stumpage when we could.
The CHAIRMAN. And you took that out of your earnings?
Mr. LACEY. Earnings and outside investments.
The CHAIRMAN. You acquired the stumpage independent of your earnings?
Mr. LACEY. Yes.
The CHAIRMAN. You did not take that out of the 6 per cent, I mean?
Mr. LACEY. No, sir.
The CHAIRMAN. You took it out of your earnings, and you have as much stumpage now as you had ten years ago, have you?
Mr. LACEY. Yes; we have more stumpage now.
The CHAIRMAN. And you have cut off a good deal of what you had then?
Mr. LACEY. Yes.
The CHAIRMAN. All of it?
Mr. LACEY. No; we have some of the holdings we had then.
The CHAIRMAN. Have you cut out as much in area as you had ten years ago, an equal amount—well, about, I don't want to take too long, if you can not answer it.
Mr. LACEY. Yes; just about.
Mr. CLARK. It does not make any difference what happens, the stumpage man either holds to what he has or gets more; the stumpage always goes up?
Mr. LACEY. It will continue to go up.
Mr. CLARK. Nothing on earth makes them lose?

Digitized by Google

Mr. LACEY. No, sir.

Mr. CLARK. Everybody else may lose in the lumber business, but the stumpage man makes his profit?

Mr. LACEY. Well, so far as the manufacturer of lumber is concerned, I do not think there is a lumberman in this room that can show that he has ever made much profit on the strict manufacture of lumber; he has made his money in buying low-priced stumpage and holding until changed conditions of some kind advance it to a manufacturing profit.

Mr. CLARK. Are you a partner in the firm of McCormick & Co.?

Mr. LACEY. No, sir.

Mr. CLARK. Have you any dealings with them?

Mr. LACEY. No, sir. I have sold them timber lands. My business has been, strictly speaking, buying and selling timber lands.

Mr. CLARK. When did you sell them timber lands?

Mr. LACEY. In 1897 and 1898.

Mr. CLARK. How much did you get for them?

Mr. LACEY. I got from $10 to $20 an acre for them.

Mr. CLARK. How much a thousand feet?

Mr. LACEY. They run from about $1 to $2 stumpage. In the South——

Mr. CLARK. Well, wait a minute; I don't care about the South.

Mr. LACEY. This was in the South——

Mr. CLARK. How much do they get for that stumpage to-day?

Mr. LACEY. That is worth from $4 to $5 to-day.

Mr. CLARK. They have made a profit, then, of some 400 or 500 per cent in that length of time?

Mr. LACEY. Yes, sir.

Mr. CLARK. Then, nothing in the world, no matter what happens—earthquakes, or cyclones, or what—will keep them from making a profit; they simply go on and make their profit?

Mr. LACEY. They make their profit up to a certain point, and then it will stop, as cost of lumber approaches cost of brick, cement, and iron construction.

Mr. CLARK. As a matter of fact, did they not buy a million and a half acres of land at about $6 an acre?

Mr. LACEY. I didn't know what the exact figures were. At the time they were buying that at $6 an acre we were buying land on the coast at about the same price.

Mr. CLARK. Was there not a great row about that whole thing being turned over to the Weyerhæuser Company?

Mr. LACEY. I have never heard so.

Mr. CLARK. Did they not talk about investigating it, as a matter of fraud?

Mr. LACEY. About a million acres, I understand, belonged to the Northern Pacific, and they sold it to Weyerhæuser.

Mr. CLARK. They got it at $6 or $7 an acre, did they not?

Mr. LACEY. Probably somewhere in that neighborhood; yes, sir; although I do not know exactly what they paid for it.

Mr. CLARK. Well, how much is that land worth now?

Mr. LACEY. It is worth probably an average of $50 an acre.

Mr. CLARK. That is a right steep profit in that length of time, is it not?

Mr. LACEY. Yes, sir.

Digitized by Google

Mr. CLARK. Now, as a matter of fact, Mr. Lacey, when you come on to this stumpage, they got that land for about 15 cents a thousand, did they not?

Mr. LACEY. Yes, sir.

Mr. CLARK. And they hold it now and charge these manufacturers lumber about $3 a thousand?

Mr. LACEY. I do not think they are selling it at $3 a thousand. I think it is $1.50 to $2. They may occasionally sell some for $3 a thousand. Of course the stumpage they are selling to-day is stumpage that is very available to transportation.

Mr. CLARK. And yet they can not afford to have the tariff taken off lumber?

Mr. LACEY. It is not the holder of the stumpage so much as it is the manufacturer of lumber——

Mr. CLARK. Do you think if this $2 tariff was taken off that there would be any imminent danger of Mr. Weyerhæuser and Mr. McCormick landing in the poorhouse?

Mr. LACEY. No, sir; nor any other men of means landing in the poorhouse—that is, men who have been foresighted enough to make good investments like that. So far as the duty on lumber is concerned, I do not see how any man can call it a highly protective duty or that you can call it any more than a revenue tariff.

Mr. CLARK. You do not buy any lumber for consumption, do you?

Mr. LACEY. Yes, I do; and I buy some iron, and I asked why the price was so high, and the carpenter told me——

Mr. CLARK. Wait a minute. Whenever you commence that business you are precipitating a row over among those gentlemen at the other end of the table.

Mr. LACEY. I can not help that. Pig iron or coal to-day——

Mr. CLARK. Does it strike your mind, you being a fair-minded, philanthropic American citizen, that it would be fair to cut these tariffs down equal to the rate on lumber?

Mr. LACEY. I say cut them down if you want to, but when you cut the tariff down you will cut down your producing power, and when you cut down your producing power you will have to cut down your wages.

Mr. CLARK. What do you mean by cutting down your producing power?

Mr. LACEY. I mean the man I am paying $2 a day to, if everything else is cut down, will have to have his wages cut down also.

Mr. CLARK. You have not ingenuity enough to squeeze a part of that out of the stumpage men, instead of taking it all from labor?

Mr. LACEY. Well, they pay their proportion in taxes, and so on.

Mr. FORDNEY. You speak of the relative cost of lumbering. Where you live a large percentage of the tree is left in the woods. You say that your lumber runs from two to four logs to a tree?

Mr. LACEY. Yes, sir.

Mr. FORDNEY. It would cost you just as much to run a railroad to take off your lumber as it would if you utilized all of your tree?

Mr. LACEY. Yes.

Mr. FORDNEY. And therefore it increases the cost of taking up what you do take?

Mr. LACEY. Yes.

Digitized by Google

Mr. FORDNEY. And naturally the consumer must pay that eventually?

Mr. LACEY. Yes.

Mr. FORDNEY. Now, then, if that is right, I want to ask you another thing. Much has been said about Mr. Weyerhæuser's investment of 1,000,000 acres, having acquired that from the Northern Pacific Railway Company. Is he to be criticised or punished because his wisdom told him that he was making a good investment when he acquired that land, and because it is worth more money to him now than when he bought it?

Mr. LACEY. I do not see how you can criticise him for doing that any more than you can criticise any other men who have acquired government lands other than timber lands that have become more valuable.

The CHAIRMAN. I do not think there is any question about that, and I do not think we ought to go into it.

Mr. LACEY. In the South, from 1880 to 1887, the uniform prices of government lands were $1.25 an acre except where there had been railroad grants. Where there were those grants the land was worth $2.50 an acre. It did not make any difference whether that land had lumber or not, it was $1.25 an acre. After the major portion was entered the Government then withdrew the lands, and few were left subject to homestead entries. In Louisiana and other Southern States the price then began to advance. Before that there was no big value. A man that came down there could get government lands for $1.25 an acre, and therefore you could not get $2.50 an acre for your lands.

Mr. FORDNEY. I have known Mr. Weyerhæuser for a good many years, and have had dealings with him, and you have doubtless known him much longer than I have. Have you ever known him to do anything that could be called dishonest; have you ever known him to do anything in his life that was wrong?

Mr. LACEY. No; I have never heard him criticised in any way other than that he was a man of wonderful ability, and he is recognized as a man who has been a pioneer all his life; he has been a man who has gone into the forests and developed the country. Wherever Mr. Weyerhaeuser has gone development and civilization has followed in a most substantial manner.

Mr. FORDNEY. The question was asked you if it was not likely that he would be able to keep out of the poorhouse with careful management. Do you know of any reason why he should go to the poorhouse?

Mr. LACEY. I do not. I do not understand why a man of his ability and enterprise and good judgment should have to go to the poorhouse or why he should be considered a conspirator——

Mr. FORDNEY. The intelligent people of the country admire a man like that; they admire his ability and enterprise and philanthropy?

Mr. LACEY. I think so.

Mr. CLARK. If Mr. Weyerhaeuser and Mr. McCormick got that million acres of land at 15 cents a thousand feet, do you think the people of the United States ought to be taxed to give them $2 bonus a thousand feet where they spent 15 cents?

Mr. LACEY. Well, I do not think you are taxing them to give that money to Mr. Weyerhaeuser or Mr. McCormick. I am sure if you do not put that $2 on lumber you will have to put it on something

Digitized by Google

ı. You might economize, but you are not going to save anything taking that tax off and putting it somewhere else.

Mr. CLARK. Suppose you did not put it anywhere else?

Mr. LACEY. Well, then, we would live cheaper and would not build y of these canals or other things the Government is spending so ıch money on.

Mr. CLARK. Well, they are issuing bonds for the canal.

Mr. FORDNEY. In your opinion, is it not true that Mr. Weyerıeuser and his associates employ more men in the lumber industry this country than are employed in any other one business?

Mr. LACEY. I think that is probably true, with the possible exption of the United States Steel Company. I think possibly they nploy more men than any other company.

Mr. FORDNEY. I am referring to the lumber business. Does the ımber business not employ more men than any other industry, and oes it not pay an American scale of wages?

Mr. LACEY. Well, the lumber men all over the country have develped the country. You may take wherever the lumber men have gone ınd bought timber lands. The lumber men have gone in and they ıave induced railroads to come in, and as a result civilization and development have taken place and towns and cities have grown up.

In Louisiana in 1880 the entire assessed valuation of Calcasieu Parish was $500,000. In 1897 it was $22,000,000. That increase had come about by reason of the development of the lumber industry, rice cultivation, etc. They spent millions of dollars in the building of canals, sawmills, and railways.

You take it all over the United States and you will find that the lumber man has been the pioneer in the development of the country.

STATEMENT OF T. B. WALKER, OF MINNEAPOLIS, MINN., WHO THINKS THAT THE DUTY ON LUMBER SHOULD BE INCREASED RATHER THAN REDUCED.

FRIDAY, *November 20, 1908.*

The CHAIRMAN. Mr. Walker, representative of the Red River Lumber Company.

Mr. WALKER. I came at the especial request and as the representative of the Northwestern Lumbermen's Association. I am president of the Red River Lumber Company, but I did not intend coming representing that corporation. I dislike to come before you, after your long day's work, so late at night. You have given closer attention to this subject to-day than I have ever known any committee or commission to give to any subject.

The CHAIRMAN. Please speak a little louder.

Mr. WALKER. I have observed the unusual and careful attention which you have given to this tariff question, to everyone who has spoken, more so than I have ever known any similar body of men to give to any investigation. Consequently, you must be tired and

Digitized by Google

weary, and no doubt will be better pleased to have me shorten my remarks, and I will not tire and weary you by continuing them to great length.

The only point that I will try to consider is that of the conservation of our forests and the underlying facts and principles, and as they have contributed to denuding the forests and which they will continue to contribute to with reference to the remainder of the timber if continued.

The Conservation Commission and the Forestry Department are now investigating the subject of overproduction and overconsumption, in order to determine what part, as a factor, they have been in the past in contributing to the denuding of our forests.

In order to understand what part or responsibility the government agency and the insufficient tariff has had to do with present conditions, it will be necessary to review more at length than I will venture to do here to-night to show the part which the Government has had in its methods of handling the timber, resulting in compelling the lumbermen to rapidly denude the forests, and which, if continued in the future, will result in the same outcome for the remaining forests, particularly the greater ones on the Pacific coast.

The object underlying the demand for repealing the small duty existing is to cheapen the lumber to the consumer. The Forestry Department and the Conservation Commission believe that if lumber prices are reduced it will be unfavorable as to the conservation of the remainder of our timber. The policy of our Government in disposing of the timber lands is to so distribute the timber among the people as to prevent largely consolidated holdings. For that reason the homestead and other laws have been made applicable to timber lands and to take up each one, one or two quarter sections to secure the profit or advantage of the difference in value between the government prices and that which would come from selling to the lumbermen, and for some mysterious reason to seek to prevent those engaged in the lumber production from securing large consolidated holdings where lumbering could be economically and cheaply done, the same as our competitors over the line in Canada, for which the government policy has been very liberal, and granted holdings in large amounts at only nominal prices. The result of our method has been to prevent each lumberman from securing solid holdings or consolidated tracts. There is not a lumberman of whom I have knowledge who owns any one solid township of timber, but in every instance there are different ownerships where they are mixed, more or less, to the disadvantage of all. This makes extra expense in logging.

In Canada the custom has been for many years, and years before I began lumbering in Minnesota, over forty years ago, that Canada competitors were enabled to do their logging at a much lower price and secure their stumpage in large consolidated holdings at a lower price or at only a fraction of the cost of stumpage to us, which would make at least $1.50 less than ours and logging of not less than $1, probably nearer $2, taxes and interest, which they do not have to pay, and which means, with us, an average on the lumber cut each year by anyone building a mill and stocking it for a term of years, the taxes on all property, including the standing timber, the annual cut of logging, sawmill and yards, the lumber stock, will altogether average not less than $2 a thousand on the lumber cut.

Digitized by Google

heir averages on the logs cut and the lumber produced and keted, which are the averages of all lumber cut by them in all past many years, were not less than $4, probably $5, average for lumber delivered in the market, less than we have been able to duce it in competition.

Iost of the years that I have been in business we have had no iff protection, and there are many years we had to do as they doing in the South, as you heard a few moments ago, and as they doing on the Pacific coast to-day, and just as they will continue do in the future, and particularly if the small tariff is removed, wasting approximately one-half of the available standing timber. nder the conditions from which our forests have so rapidly dispeared during many years previous to 1897, the lumber mills ere able to cut only the amount of lumber shown by the Scribner's ale of logs, from which there was obtained no overrun or excess f lumber above the scale of logs. There might have been, under robable conditions, not less than 60 per cent more if it had been ut into lumber in the most economical manner, the amount of 60 er cent overrun might have been obtained.

Under the circumstances in logging and manufacturing only the better grades of logs were cut and hauled, the better grades of lumber sawed and saved, as only smaller rates of wages could be paid.

If we can arrange to so handle the remaining half of our forests in the most economical and conservative manner they can be made to produce three times (300 per cent) of the amount that has been produced in previous years, taken from a given amount of timber and logs.

If, through new methods of manufacture, the conservation of the forests can be made to furnish for future years three times as much lumber as that which has been produced in the past from a given tract of timber, and made by very different methods from those which have heretofore prevailed, and which lumber will be in several respects different from that which has been heretofore produced, but so manufactured as to meet the necessary uses and requirements of the consumers, it will be the greatest factor in the solution of the problem for the conservation of the forests and in securing a future supply.

To accomplish this change in the methods of manufacture it will be necessary that lumber by the old methods bring a sufficient price to make the change practicable and to induce the consumer to use the new product as far as they can fill the requirements. Through this means a much cheaper future supply will be provided.

Mr. HILL. Do you advocate an increased duty or an unchanged duty, or free trade in lumber?

Mr. WALKER. If I was disconnected with the lumber business as an owner of timber, from my knowledge of lumber business, and if I was a purchaser of lumber to an extent comparable with that to which I have been and am a manufacturer, I would say to you not only to continue the present tariff, but to give an increased tariff for the best interests of the public.

Mr. CLARK. You are a manufacturer of lumber?

Mr. WALKER. Yes, sir.

Mr. CLARK. And have been at it about forty years, I understand?

Mr. WALKER. Yes, sir.

Digitized by Google

Mr. CLARK. In addition to that you own 650,000 acres of sugar-pine land in California, do you not?

Mr. WALKER. No, sir.

Mr. CLARK. How much do you own?

Mr. WALKER. I could not tell you. I own a good-sized tract.

Mr. CLARK. About 650,000 acres?

Mr. WALKER. No; not that much.

Mr. CLARK. It cost you about $4,000,000, did it not?

Mr. WALKER. I am glad to find out what it cost me. I did not know just what it cost me.

Mr. CLARK. Estimated to have 18,000,000,000 feet of lumber in it.

Mr. WALKER. I heard some young man give some such estimate, but do not know where he gathered the figures.

Mr. CLARK. You estimate your present holdings of sugar pine in California at $100,000,000, do you not?

Mr. WALKER. No, sir.

Mr. CLARK. Well, what amount of land do you estimate your holdings?

Mr. WALKER. Oh, I own several hundred thousand acres.

Mr. CLARK. It has a good deal to do with whether you ought to have a duty of $2 per thousand feet.

Mr. DALZELL. I do not think it has anything to do with it. I think it is a man's private business.

Mr. CLARK. Well, we will see if we can find out.

Mr. WALKER. There was an additional statement made by the same young man that one-third of all the remaining timber land was owned by three persons—Mr. Weyerhauser, Mr. Smith, and myself.

Mr. CLARK. I wish you would tell me if you know about how much timber land you have in California.

Mr. WALKER. I do not know what particular difference that makes to you.

Mr. CLARK. It makes a good deal of difference. It goes to the credibility of your evidence, if you wish to know the plain truth about it.

Mr. WALKER. I have never figured up the amount of timber lands that I own. It probably amounts to more than one-half million acres.

Mr. CLARK. Do you think the people ought to be taxed $2 per thousand to be presented to you, who have over 500,000 acres of timber land?

Mr. WALKER. I do not think any such thing.

Mr. CLARK. You said awhile ago you thought it ought to be raised to protect the lumberman. Is not that simply protecting the stumpage? According to all the testimony here, the only people who get anything out of this $2 tariff tax on lumber are the men who own the stumpage.

Mr. WALKER. The rise in lumber has given more to labor—has given a greater increase in the wages of labor—than has gone to the stumpage man. This has been the case during all the years that I have been in the business. Whenever lumber rises, if it goes up 50 per cent; wages go up more than 50 per cent, and take out a proportion greater in proportion than the money that goes to the stumpage man.

Mr. CLARK. Do the laborers in the lumber business get any more than the laborers in the steel business?

Digitized by Google

Mr. WALKER. They do not get quite as much, because there is not much protection by means of which it can be paid to them.

Mr. CLARK. Do they get any more wages than any occupation of is hard labor?

Mr. WALKER. In proportion to the value of the lumber they get a 'eater proportion of rise as the lumber gets higher than the manu- ıcturer gets. They get a greater percentage of it; and it is the law ī trade and manufacture that labor increases its proportional part ıore than capital, and, in fact, capital on the competition begins to ın lower in percentage, and from a 7 or 8 per cent it will gradually ın down to 5 or 6 per cent, and labor will gradually run along up. 'he competition does it.

The CHAIRMAN. Are you still manufacturing lumber?

Mr. WALKER. Yes.

The CHAIRMAN. And have been for the last ten years?

Mr. WALKER. Yes.

The CHAIRMAN. Have you any objection to sending the committee, for their inspection, the pay roll of your establishment, say, for the month of May in each year from 1897 down to the present time?

Mr. WALKER. No, sir; I have no objection.

The CHAIRMAN. I wish you would kindly send us that.

Mr. WALKER. Yes, sir; I will be glad to do so. You can look it over and see that the wages that were paid a few years ago, $1.25, are now $2.25——

The CHAIRMAN. You send us that information and we will have that before us, and we can find out all about it.

Mr. FORDNEY. Do you know of any good reason why a manufacturer with a small plant should have any more protection than a large manufacturer?

Mr. WALKER. I do not.

Mr. FORDNEY. They are all American citizens, and if they are honest they ought to be put on an equality, so far as protection is concerned.

Mr. WALKER. Yes. Perhaps you might say in regard to a small man—a man engaged in a small way in the lumber business—that he can not compete with a man who works on a larger scale, with improved machinery and methods; and you might say, in order to make him able to compete, that we would have to in some way give him something extra, some extra help; but there would be no way of doing it; there would be no propriety in doing it——

Mr. FORDNEY. Mr. Knappen this morning said that Mr. Weyerhaeuser, yourself, and Mr. Smith owned one-third of all the timber in the United States. How near was he to the truth when he made that statement?

Mr. WALKER. Well, the Government owns 168,000,000 acres of land—of forest land. It is claimed that Mr. Weyerhaeuser owns a million and a half acres. I am not stating what the actual figures are, but simply what it is said he owns. Put it altogether, there would be perhaps two and a half million acres of land owned by the gentlemen you have named. That statement is in line with the misrepresentation with reference to lumber and the large operators in this country that have been made generally. The Government has 168,000,000 acres of land in the forest reserves; and individual owners, a large amount of it held in a multitude of bonds—from those who own a

Digitized by Google

section or half-section or quarter-section up to large holdings that will aggregate 250,000,000 acres—more of timber in their hands. Putting that with the timber land owned by the Government, that would make more than 400,000,000 acres. Perhaps I have not included the South in that. But say that those figures are somewhere near right for the western timber. If it is two and a half million acres of land owned by the three men named, that would be less than one-half per cent in place of one-third of all the timber land. Now, is not that a very reliable witness to make such a statement?

Mr. FORDNEY. All there is in such a statement as that is to prejudice the masses of people against the man in that business.

Mr. WALKER. Yes; that is the long and short of it.

Mr. FORDNEY. That is all it is made for, and that is all there is to it?

Mr. WALKER. Yes, sir.

Mr. FORDNEY. In your opinion, is the average lumberman a more dishonest person than the average citizen?

The CHAIRMAN. Oh, we do not want to go into that.

Mr. FORDNEY. I want to say that on account of various land frauds that have been investigated by the Government the impression has gone out that the average lumberman is a thief.

Mr. WALKER. Please let him go ahead, Mr. Chairman, I am pretty well acquainted with all classes of men. I know of no one class of men that are more honorable, straightforward, and more to be trusted, or more reliable, than the lumbermen.

The CHAIRMAN. Excuse us, but we do not want to hear any more about Mr. Weyerhaeuser. I do not want to hear anything about Mr. Weyerhaeuser. We have tried him and acquitted him. Don't say anything else about him. The committee can protect itself.

Mr. WALKER. I beg your pardon if I have transgressed your rules.

Mr. FORDNEY. I think I stirred up the hornet's nest.

The CHAIRMAN. This is not a proper place to try an indictment against a citizen of the United States. It has no bearing upon the questions that we are considering here.

Mr. FORDNEY. We are talking about lumber and the character of of the men engaged in that business, and so perhaps it is proper to refer to what we have referred to——

The CHAIRMAN. Whether a man is honest or dishonest a man is entitled to his property, so far as we have any jurisdiction.

Mr. WALKER. A statement was made here to-day of the most extravagant kind and I thought I had a right to refer to it.

The CHAIRMAN. And I have asked you to produce your pay roll for the month of May for a number of years. Would that be a fair sample month in regard to what you paid your labor?

Mr. WALKER. Yes, sir; I think it would.

The CHAIRMAN. Then please give us those.

Mr. WALKER. We run our mills all the year.

The CHAIRMAN. We would like those for the month of May. That is all.

(Mr. Walker submitted the following brief:)

Digitized by Google

THE TARIFF AS RELATED TO THE CONSERVATION OF OUR FORESTS.

By tracing the history and the methods pursued by our Government in handling and disposing of our forests, and particularly as it is related to or is responsible for the wasting and denuding our timber supplies, may be made most useful in determining the future policy for the conservation of the remainder of the forests.

Up to the present time there has been cut and utilized in a very wasteful manner perhaps 35 per cent of our pine forests, 15 per cent, more or less, wasted without being utilized, leaving, in round numbers, a possible 50 per cent for future use and waste.

There has been something like 25 per cent of our hard-wood forests utilized in a very rough, wasteful manner, 55 per cent entirely wasted, and, in round numbers, 20 per cent remaining.

The policy of our Government in handling and disposing of our pine forests constituted the most important factor in the rapid denuding of so much of the forest lands; in fact, has been the principal cause responsible for it.

This land policy of the Government had for its principal object to distribute among the people the difference between the government price and the competitive value as the fundamental idea, and, secondly, to keep the timber from being consolidated and held in large bodies—from an apprehended monopoly of the production of lumber by the men who were the appropriate agents to produce it, as the farmers were to raise the crops. This necessarily made logging more expensive and made the cost of stumpage or the raw material several hundred per cent higher than if purchased from the United States at the same price at which it was originally sold by the Government or given away under the homestead law.

The custom prevailing from the early times until recent years to allow the frontier timbermen and settlers to enter upon and cut and remove all the pine timber they chose to take—under which they cut only a portion of the best trees, took out a few of the best logs, and left the balance to burn, blow down, and decay—was also a wasteful policy.

The extension of the public surveys more rapidly than the necessary supply of timber for logs demanded was seemingly done for the purpose of overstocking the timber market to keep down prices. The lumbermen could not secure timber to stock their mills without purchasing from many entrymen. As there were many purchasers, it became practically impossible to get together larger consolidated tracts.

There were stringent provisions in all the laws relating or applying to timber lands making it a criminal offense for the entryman to agree to sell his land after the title was completed.

The timber-land sales of the remnants of the poorer scattered pine were made in 40-acre tracts to the highest bidder, under provisions of law that made it a criminal offense for any two or more to agree to avoid bidding against one another with the purpose of trying to consolidate and make logging and driving cheaper.

These legal restrictions and selling it in small subdivisions were but a continuance of the narrow policy for prohibiting large consolidated holdings, so that monopoly or large controlling interests could not be performed by which higher prices could be maintained. This

Digitized by Google

conclusion, which has prevailed from a lack of understanding of actual facts and conditions, was the same as for the misapprehension that free trade will conserve and extend the life of our remaining forests. The persistent policy that compelled the manufacturer to secure his stock of timber through the hands of entrymen who made them pay three, four, five times or more per acre than the price received by the Government necessarily compelled the manufacturer to make every effort to get a sufficiently higher price to cover the extra cost of the timber. Also, the policy of scattering the holdings by selling them in small pieces, to prevent consolidation and large holdings, made logging more expensive and resulted in loss to lumber men or the consumer, but in no possible profit or advantage to the public.

These laws and the ideas on which they were based were upon the presumption that those who were employed in furnishing the next most essential to the food supply were for some unknowable reason to be looked upon with prejudice and discrimination. The miner or prospector or speculator could take up as many claims as he chose under the mining laws, hire outright any one or many persons to take up lands for their benefit, to advance money and obligate to purchase upon entry or completion of title. These provisions of the mining laws granted and approved were made criminal offenses when used in securing timber for a more legitimate purpose and a more necessary commodity for supplying the public needs.

The Canadian government gave their lumbermen large consolidated timber limits which, with lower wages, made less stumpage rates, no carrying charges of either taxes or interest, gave them an advantage of more than double the amount of the present tariff until recent years, and which still does and will continue as to the western forests to nearly the same extent for lumber delivered in our markets along the coast.

If a $4 per thousand tariff had existed all the past years in place of the no tariff most of the time, and the $1 and the $2 tariff of more recent time, the Canadian could have paid it with a margin in his favor.

These facts and conditions taken together have depressed and demoralized the lumber trade in the United States to that extent that it has lead to the rapid exhaustion of our pine forests to a much greater extent than would have come from a more conservative policy. The timber has been cut and manufactured in a most wasteful manner. The lumberman saw no way to avoid it and sustain his business with any profit. Timber was wasted in the woods and left to burn, blow down, and decay. Thick saws and heavy slabs, low-grade and short lumber consigned to the wood piles and burners for more or less of the better grade, and larger amounts of poorer grades and short lengths.

To economize and enlarge the quantity produced was to add so much to the already overstocked market with result in lower prices sufficient to cover on the whole stock more than the profits on the extra amount saved.

The heavy local taxations on timber lands and the added tax on logs cut from the same land and which constituted at least a partial double taxation, together with the tax on the mills, yards, lumber, and all personal property and realty used in the logging, milling, and marketing, when added to the interest on the investments in

Digitized by Google

timber and mill plants, rendered it absolutely necessary to cut, remove, and denude the land as rapidly as it could be done without so overstocking the already overstocked market that it would bring prices nearer to or below the cost of production.

If the Government had retained the title to the land and sold the timber or logs only, sold in tracts large enough to have made economical logging and driving, required close cutting and no wasting in the woods, and charged a high stumpage price, and provided for reforesting with the smaller growth of timber and for new planting, and made this practical by a tariff such as other industries receive, our forests would have become a source of wealth measured by tens of thousands of millions for an inheritance of future generations. It would also eliminate the question of taxation and interest charges.

The overstocked market led to low prices, which led to overconsumption by all consumers and users. Upper grades were used for lower-grade purposes. Thick lumber was demanded and used when thinner lumber would have served as good or better purpose. In taking down structures or boxes the lumber was destroyed. Cross-ties and other timber on the ground were not preserved by treatment and left to rapidly decay. The consumption ran up to over 500 feet per capita in the annually reported cut and to more than 600 of the actual cut as against not more than 30 feet or 5 per cent of the consumption per capita used in Europe.

While this extraordinary consumption or waste furnished a market for the more than equally wasteful supply and overproduction, it was one of the two methods of rapid forest destruction.

A strong public sentiment against the lumber manufacturers has extended for many years, which was in large part without material, a sufficient or actual foundation; but which, when added to the charges of vandalism for wasting the forests, for which they were not primarily responsible, has more than from any other cause become the sentiment against tariff on lumber comparable to those given in other industries, or as also for the demanded repeal of the comparatively small duty that now exists.

That the removal of our duty will to a still greater extent make a dumping ground of our market there is no doubt. For every million dollars' worth of lumber shipped in we will have to pay a million in gold without any revenue in return, as we get now.

That there will be a much greater amount imported in the near future, and that will reduce the price of lumber a fraction and call for an equally large payment in gold to pay for the lumber imported, and also reduce the payment of duty on what they would ship in under a retained or enlarged duty.

That a repeal of duty will not conserve our forests or tend toward reforesting it is as certain as death or taxes. A continued overstocking will not tend to preserve holdings any more in the future than it has in the past, and as to the past there is no doubt. There will be as much lumber produced and a greater overstocking from the pressure to sell, and this will continue to waste the supply in the future as it has in the past. Any saving in price to the public will tend to reduce the price of other commodities as well as salaries and profits. If this comparatively small tariff is repealed it will be the only unprotected industry excepting raw cotton, which needs it the least and which cares the least for it. If the present tariff is left

Digitized by Google

standing it will be the smallest rate of any and all others, and is, from the competition which it has, the most entitled to the same protection given to other industries.

The lumber industry represents the largest primary manufacturing interest; it employs more men; it involves great amounts of capital; it comes next to the food supply as a necessary essential for human life and comfort. Those engaged in it represent a most industrious and reputable class of citizens. They ask no special favors or advantages. They only claim the same rights for fair treatment accorded to those engaged in other occupations. This has not been accorded them. The present small tariff of 12 per cent, or $2 per thousand, is less than half of that on any other manufactured or agricultural product, and only one-quarter to one-third of that on most other products, and a still less on many others.

The competitions which it has to meet are the most immediate and direct and with more advantages over lumber than any other industry has to contend with.

There has been more practical and direct failures in the tens of thousands of milling plants in the past than have come to any other industry. The advantages to the public of lower prices, oversupply, and overconsumption of lumber has been at a too heavy discount of the future than to offset the advantages gained. It has been more against the producer than in favor of the consumer. Although prices have advanced under or since the Dingley tariff with the general advances in other commodities, yet not as much nor to that extent that it has to any extent paralyzed building operations.

Under the Dingley bill the small tariff given to lumber and the general prosperity that came from the protection schedules on all other manufactures and productions raised the price of lumber, but not as high in proportion as other commodities. It led to more economical logging and manufacturing larger overrun of lumber and less wasting of lower grades and short lumber.

This use, however, did not, as claimed, paralyze or limit building operations. The greater profits and net incomes from other occupations more than balanced the rise in lumber, as shown by the following facts: The building statistics for the 21 largest cities show that 241 millions of permits for 1901, when mill-run lumber was $14.30 per thousand. In 1906 the building permits increased to 556 millions, or 130 per cent, and the price of lumber increased to $20.43, or 43 per cent. The per capita of lumber consumed continued the same, but used more of the lower grades. Those engaged in other occupations in general could purchase more lumber with the advance in their profits and earnings than they could before the rise in prices. A bushel of wheat or corn, a ton of steel, or any given amount of manufactured articles would purchase more lumber, notwithstanding the considerable rise in prices, which was more than equaled by the rise in other commodities.

The repeal of the tariff will not lessen, but increase, the timber waste. It will accelerate the denuding of the Canadian forests as well as our own. It will continue the overstocking of the timber market and the overconsumption to an extent in the aggregate of as much as the increased amount from Canada. It will increase the imports, so as to take out of the country many more millions than

Digitized by Google

the present heavy sum of over forty millions, and will cut off a revenue of nearly two millions more paid as tariff charges.

Respectfully submitted.

T. B. WALKER.

T. B. WALKER SUBMITS A PAY ROLL OF THE RED RIVER LUMBER COMPANY, MINNEAPOLIS, MINN.

WASHINGTON, D. C., *December 16, 1908.*

Hon. S. E. PAYNE,
Chairman Committee on Ways and Means,
Washington, D. C.

MY DEAR SIR: The inclosed pay-roll list of wage rates I trust will cover the point you had in mind when you asked me to furnish it. It gives the rates for the year 1895—before the present tariff law was enacted—and the rates from 1899 to 1908, inclusive.

You will see that between 1895 and 1907 common-labor wages rose from $1.30 to $2 per day, or over 53 per cent. All labor advanced over 42 per cent. But the day labor is much the larger percentage of the total wage bill. This pay-roll list covers as nearly as possible what I think you have had in mind. Of course the whole pay roll of a thousand or twelve hundred men could not be sent.

This list, showing the large rise in wages, answers the question of Mr. Clark as to the lumbermen receiving as a present the entire increase in the price of lumber under the tariff.

It can be shown that the profit or net gain in holding timber as a mill supply is not as great as would result from investments in city property or good farm lands. The timber brings in no income until cut and is heavily taxed, and this, added to the interest on the investment, makes the net profit in the long run in favor of city or farm property.

Very truly, yours, T. B. WALKER.

EXHIBIT A.

Labor pay-roll rates, 1895 to 1908, inclusive, Red River Lumber Company, Minneapolis, Minn.

	May, 1895.	May, 1899.	May, 1900.	May, 1901.	May, 1902.	May, 1903.	May, 1904.	May, 1905.	May, 1906.	May, 1907.	May, 1908.
Common labor	$1.30	$1.50	$1.65	$1.75	$1.75	$1.75	$1.75	$1.75	$1.75	$2.00	$1.75
Engineer	2.30	2.75	2.75	3.00	3.00	3.00	3.00	3.00	3.00	3.50	3.50
Millwright	2.50	2.50	2.50	2.75	3.00	3.00	3.00	2.75	3.00	3.00	2.75
Filers	6.00	6.50	8.00	10.00	10.00	10.00	10.00	10.00	10.50	10.50	10.00
Sawyers	5.00	5.50	5.50	6.00	6.00	6.50	6.00	6.00	7.00	7.00	7.00
Setters	2.25	2.50	2.75	3.00	3.00	3.50	3.00	3.00	3.00	3.00	2.75
Edge men	2.50	2.75	2.75	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.75
Trimmers	2.25	2.25	2.25	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.25
Sort shed grader	1.80	1.85	1.85	2.50	2.50	2.50	3.00	2.50	2.50	2.50	2.25
Sort shed common labor	1.30	1.50	1.65	1.75	1.75	2.00	2.00	2.00	2.00	2.00	1.75
Total	27.20	29.60	31.15	36.00	36.75	37.75	37.25	36.50	38.25	39.00	36.75

Digitized by Google

W. B. MERSHON, SAGINAW, MICH., THINKS THAT THE DUTY SHOULD BE REMOVED FROM WHITE PINE.

SAGINAW, MICH., *November 16, 1908.*

Hon. S. E. PAYNE,
Chairman Ways and Means Committee, Washington, D. C.

DEAR SIR: This week I believe you are to consider the lumber schedule, and so as briefly as possible I wish to suggest the advisability of removing the duty from white-pine lumber imported in the rough. It is now $2 per thousand. My reason for this is this:

For many years I was at the head of W. B. Mershon & Co., of Saginaw, later changed to Mershon, Schuette, Parker & Co., the largest manipulators and handlers of white-pine lumber in Michigan, and producing more manufactured products of white-pine lumber than probably any other firm in the country. This concern has employed as high as 1,200 men, but the business is lessened now, and greatly lessened, so probably not over one-third that number is at present employed.

I am also vice-president and one-quarter owner of Mershon-Bacon Company, at Bay City, Mich., owning a planing mill and box factory.

In the early days the Saginaw River produced all of the lumber required, but with the cutting of our Michigan timber we were compelled to go farther for raw material, and did obtain it for a few years from ports along the south shore of Lake Superior, going as far as Duluth, but many of these mills have become dismantled, for the pine has been cut and the supply found at Duluth is very meager. We then looked to the Georgian Bay district of Canada for our raw material and obtained it in satisfactory quantity, but not of the best quality, for a number of years. For the last few years it has been very difficult to get a supply, because Canada has been prospering, using a pile of lumber itself, and Canadian buyers are sharp competitors of ours when we are trying to obtain a supply of lumber from one of the sawmills in the Georgian Bay district. Again, the Canadians have built up a big export trade by reason of their ability to use unsuitable parts of this log-run white pine (and in speaking of lumber I always mean white pine) in their local trade. When we enter into competition with these Canadian buyers we are handicapped by having to pay our own Government $2 per thousand for the privilege of bringing raw material to the Saginaw Valley to manufacture, to keep our plant and capital employed and to give employment to American labor. The result is that many lots of lumber, if we were not thus handicapped, would be obtained by us, and not only our factories kept busy, but our busines increased the same way theirs has. If the rate of growth and prosperity keeps on in Canada, in a few years all of that Canadian lumber will be demanded at home, and kept there unless we can get it without paying a tax to our own Government.

A large number of the mills, in fact nearly all of them that are doing business and owning timber limits in Canada in the Georgian Bay district, are owned or controlled by Americans, so that on an even basis of price we might have the preference in buying over the Canadian competitor.

Digitized by Google

Our freight rate from Georgian Bay mills to the Saginaw Valley runs from $1.50 to $1.75 per thousand on rough lumber and our freight rate to New York seaboard in the shipment of the manufactured product by rail is just about the same per thousand feet as that of the western Ontario district. In fact, Toronto manufacturers can ship via Montreal or via St. Johns, New Brunswick, at a lower freight rate for export than we can from here. The establishment of a bonded lumber yard is not practicable for us. We have tried it, and it is a failure, for the percentage of log-run lumber that is suitable for export is so small.

The rebate or drawback on the manufactured article worked fairly well, but we never got as much back as we paid out for duty on the exported manufactured article, owing to the red tape employed by the department and the method of figuring waste, etc., which is always against the American manufacturer and the length of time it takes to collect the drawback, the expense of hiring lawyers or agents to get it for us and all that makes it not worth the powder.

Mershon, Schuette, Parker & Co. are large manufacturers of packing boxes, and these necessarily must be cheap and low priced, for they are used but once and destroyed. The increased cost of white pine, when you figure it must be obtained in Canada, and then our Government must be paid $2 per thousand for the privilege of bringing it here and making it into boxes to be consumed by manufacturers in our own country, is rapidly destroying that industry.

So here is a case where the duty can be removed from raw material without affecting in any way the price of white-pine lumber at home, but it would be the means of increasing the supply of raw material that is available for the employment of American capital and American labor. We ought to be in a position where we can get this lumber to use here in the United States and keep it away from the Canadian manufacturer. Put us on an even basis in our competition in buying, and for many years yet we will be able to prevent the Canadian manufacturer from expanding and increasing his business at our expense.

Speaking of "manufacturing lumber," please understand it relates to taking the rough-sawn boards and manufacturing into flooring, siding, molding, window frames, doors, mantels, and a thousand and one other articles of manufacture, and is not to be confused with the manufacture of logs into lumber. That is the work of the sawmill in Canada and ours is the work of the planing mill, box factory, etc., in the United States.

Yours, truly, W. B. MERSHON.

BRIEF IN BEHALF OF THE SOUTHERN YELLOW-PINE AND CYPRESS MANUFACTURERS, SUBMITTED BY GEORGE K. SMITH, OF ST LOUIS, MO.

WEDNESDAY, *November 25, 1908.*

The statements made by J. B. White, of Kansas City, J. A. Freeman, of St. Louis, J. A. Brown, of Chadburn, N. C., H. H. Tift, of Tifton, Ga., Edward Hines, of Chicago (in part), and C. W. Goodyear, of Buffalo (in part), in the hearing of November 20, 1908,

Digitized by Google

bear directly upon the effect on the southern yellow-pine lumber industry if the tariff on lumber is reduced or removed. It is the purpose of this brief to submit facts and figures relative to southern yellow pine and cypress lumber which were not cited by them, in a manner which, it is hoped, added to their statements and those of others heard, will aid the committee in reaching a conclusion favorable to the retention of the present duty on lumber.

The points covered will be as follows: Total production of yellow-pine lumber; small per cent of output represented in manufacturers' associations; number of employees; scale of wages; grades of lumber produced; problem of marketing the low grades; reasons why manufacturing is continued under unfavorable conditions; loss of tonnage to railroads and American ships if low grades are not marketed; problems confronting cypress manufacturers similar to those of yellow pine.

Yellow-pine lumber during 1907, according to figures issued by the Government November 18, 1908, comprised one-third of the commercial lumber produced in the United States, the amount being 13,215,185 feet b. m., but by 8,384 mills located in the States on the Atlantic and Gulf from Virginia to Texas, and including Arkansas and Missouri. There are three associations of manufacturers of yellow-pine lumber in this territory: The North Carolina Pine Association, with 107 mills with an annual production of 752,000,000; the Georgia-Florida Sawmill Association, with 87 mills with an annual production of 800,000,000; and the Yellow Pine Manufacturers' Association, with 306 mills with an annual production of 3,840,000,000, making 601 mills out of 8,384, and 5,396,000,000 annual output out of 13,215,000,000, thus proving the impossibility of a trust or combination to control the price or the output of yellow pine. The total production is detailed as follows:

	Mills.	Thousand feet.
Virginia	956	889,935
North Carolina	1,427	1,146,388
South Carolina	352	606,976
Georgia	737	755,152
Florida	285	761,890
Alabama	821	1,116,784
Mississippi	659	1,692,195
Louisiana	408	2,345,912
Texas	614	2,197,233
Arkansas	634	1,249,133
Missouri	227	119,164
Other States	1,264	254,423
Total	8,384	13,215,185

The number of employees directly engaged in the manufacture of yellow pine is estimated at 300,000 men, who with their families make up approximately 1,500,000 persons whose purchasing and consuming power depend upon the activity and profitable continuance of manufacturing operations. As about 70 per cent of the cost of producing lumber is made up of the wages paid employees and the supplies purchased from farmers for feeding teams in logging camps, anything which affects the selling price of lumber unfavorably must necessarily react upon the employees and the farmers who supply the commissaries of the firms producing lumber.

Digitized by Google

The product of the yellow-pine mills may be divided into three distinct parts: Twenty-two per cent uppers, 33 per cent No. 1 common, and 45 per cent No. 2, No. 3, and No. 4 common, when the top logs are brought in from the woods. It costs on an average to produce this $12 to $13 per thousand feet, which includes an allowance of $3 per thousand for stumpage. Where stumpage valued at $4 per thousand is sawed the cost is $1 higher.

SCALE OF WAGES.

The scale of wages paid at the present time in southern sawmills, including both white and colored labor, is shown in the following list:

Foremen	$5.00–$7.00
Millwrights	3.00– 3.75
Engineers	2.25– 3.00
Sawyers	6.00– 7.00
Filers	5.00– 7.00
Block setters	2.75
Doggers	1.75
Offbearers	1.75
Cant liners	1.75
Edger men	2.50– 3.00
Tailing edger	1.75
Trimmer men	1.75– 2.50
Scalers	1.75– 2.50
Graders	1.75– 2.50
Extra men	1.50– 2.00
Lumber stackers	1.35– 1.75
Lumber truckers	1.35– 1.50
Mule drivers	1.35– 1.75

This scale of wages is from 10 to 15 per cent lower than during 1907, when the extraordinary demand for labor sent wages to the highest point ever reached in the South. In 1897 common white labor in many localities received from 90 cents to $1 per day. The same class of labor to-day is receiving from $1.50 to $1.75 per day. The percentage of increase in wages since 1897 caused an increase in the cost of manufacturing lumber and is fully as great as the per cent of increase in the selling price. With the high cost of everything purchased from the farmers it is difficult to figure out how common labor can stand a reduction and make both ends meet, but if it become necessary to reduce the cost of manufacture to meet Canadian and Mexican competition in low-grade lumber admitted at a reduced duty or entirely free, labor, which composes 70 per cent of the cost, will be called upon to bear a large part of the reduction.

Large tracts of timber in Mexico, within 50 miles of El Paso, Tex., have been offered to Americans at 30 cents per thousand within the past thirty days. If manufactured into lumber, the work will be done by peons at from 25 to 50 cents daily wage.

The problem facing all manufacturers of southern yellow-pine lumber is the selling of the 45 per cent of low grade at or above cost of manufacture. When the price of lumber is low, as it has been during 1908, owing to the great decrease in demand following the panic of October, 1907, it is not possible to get cost out of the 45 per cent of low grades, and consequently 25 per cent of the timber is left in the woods to rot and burn. The mills in the entire yellow-

Digitized by Google

pine producing territory were compelled to adopt this policy if they were to keep their plants in operation and labor employed.

A question may arise in the minds of the committee why the manufacturers of yellow pine, under such conditions, do not close down their plants and await more favorable opportunity for marketing their product. The reasons why they do not take such action are threefold: First, many have bonds and other obligations falling due at regular periods, which must be met from the proceeds of their sales of lumber; second, those who have no obligations to meet, but are without a surplus account, must meet their steadily increasing taxes on plant and standing timber from a partial liquidation of assets; third, those who are not pressed by any financial necessities, but who feel a moral obligation toward faithful employees, the majority of whom are heads of families, who would be compelled to seek employment at other mills, where conditions were unfavorable to increase in numbers employed. This condition prevailed at many plants in the South one year ago, and mills were kept in operation when the owners did not know when or where they could secure money for pay rolls, when it was positively known that cost of stumpage and labor would not be realized from the manufacturing operation, in order to carry the employees through the winter and hold the well-organized crews until a revival of demand for lumber. Many mills were closed down and the crews disbanded for ten months, but conditions prevailing during the past three months have been such that some of these have started again, but at present prices are leaving low-grade logs to rot in the woods, and if their present percentage of low-grade lumber should fail to find a market, no doubt these mills would again adopt the policy of discharging their men and ceasing operations.

The removal of the $2 duty on lumber will, it is believed, permit large quantites of low-grade Canadian lumber to enter the United States now, and from Mexico later, in competition with the low grades of American lumber and restrict the demand for the low grades of southern yellow pine, and unless sold at a loss they will either rot in the piles after being manufactured or all logs producing a large per cent of low-grade lumber will be left in the woods. The manufacturers, under these changed conditions, would cut as many trees as when prices were better, but would not utilize more than 65 to 75 per cent of the available contents of the log, thus causing great waste, thereby failing in the conservation of our forests to the exact extent in which our low grades are supplanted by Canadian or Mexican substitutes. This waste means also a heavy reduction in the tonnage of the southern railroads, who, when prices permit the manufacture of the entire tree, haul the low grades at the same rate of freight as the better grades and increase their revenues materially, as lumber forms such a large percentage of their tonnage. It also means less cargoes for the American ships carrying lumber from Norfolk, Va.; Wilmington, N. C.; Charleston, S. C.; Savannah and Brunswick, Ga.; and Jacksonville and Fernandina, Fla., to eastern and New England States. This coastwise trade is of considerable volume, annually amounting to nearly, if not fully, 1,000,000,000 feet, and 50 per cent of this would probably be cut off, as that per cent is composed of the grades which would suffer from the competition of Canadian lumber.

Digitized by Google

The manufacturers of cypress lumber and shingles in Louisiana and Georgia would be affected in the same proportion as the manufacturers of southern yellow pine and those represented in the Southern Cypress Manufacturers' Association, comprising an annual production of 500,000,000 feet, register themselves here as in favor of the retention of the present duty on lumber.

IONIA (MICH.) CITIZENS CLAIM THAT FREE LUMBER WILL CLOSE MANY AMERICAN SAWMILLS.

IONIA, MICH., *November 16, 1908.*

Hon. J. W. FORDNEY, M. C.,
Ways and Means Committee.

SIR: We protest against the threatened removal or reduction of the tariff on lumber. We consent to leaving logs and pulp wood on the free list, as that encourages the importation of free raw material for the benefit of American manufacturers and the employment of American labor at home.

Free lumber would, in our opinion, close many American sawmills and move the lumber industry across the border into the Vancouver country, where timber lands are taxed only nominally and average stumpage values are less than one-fourth of those in the great Oregon, California, Washington, and Idaho timber sections.

Free lumber would justify the abandonment of the entire protective principle, and we protest against it as unrepublican and a deadly assault upon one of America's greatest manufacturing industries.

OTIS FULLER, *Warden Michigan State Reformatory.*
H. B. WEBBER, *President National Bank of Ionia, Mich.*
W. B. HEATH, *Delegate Republican National Convention.*
F. B. PRESTON, *Vice-President State Savings Bank.*
K. R. SMITH, *Postmaster Ionia, Mich.*
O. S. TOWER, *President State Savings Bank, Ionia.*

RESIDENTS OF ST. JOHNS, MICH., PROTEST AGAINST THE REMOVAL OR REDUCTION OF DUTY ON LUMBER.

ST. JOHNS, MICH., *November 16, 1908.*

Hon. J. W. FORDNEY, M. C.,
Ways and Means Committee.

SIR: We protest against the threatened removal or reduction of the tariff on lumber. We consent to leaving logs and pulp wood on the free list, as that encourages the importation of free raw material for the benefit of American manufacturers and the employment of American labor at home.

Free lumber would, in our opinion, close many American sawmills and move the lumber industry across the border into Vancouver County, where timber lands are taxed only nominally and average stumpage values are less than one-fourth of those in the great Oregon, California, Washington, and Idaho timber sections.

Digitized by Google

Free lumber would justify the abandonment of the entire protective principle, and we protest against it as unrepublican and a deadly assault upon one of America's greatest manufacturing industries.

C. C. VAUGHAN,
Chairman Republican County Committee.
WILLIAM M. SMITH.
JOHN T. HICKS.
R. G. ALLISON.

SUPPLEMENTAL STATEMENT OF THEODORE M. KNAPPEN, MINNEAPOLIS, FAVORING REPEAL OF DUTIES ON LUMBER.

MINNEAPOLIS, MINN., *December 1, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: I desire to submit herewith some further considerations relating to the repeal of the tariff on forest products, consisting in part of a discussion of some of the testimony adduced before your committee on this subject on November 20, 1908, and also some additional data as to labor cost in the United States and Canada, lumber prices, relative cost of production, letters bearing on these matters, a concise brief by Mr. A. R. Rogers illuminating certain testimony, and a most interesting and instructive discussion of the subject by Mr. W. S. Dwinnell, of Minneapolis, a member of the National Forest Conservation League, and an extensive timber owner himself, who has followed with much interest the testimony presented to your committee in regard to the lumber tariff.

After hearing all that has been said on both sides of this discussion we are more than ever convinced that the tariff on all forms of lumber in the unmanufactured states, the like of which are produced in the United States, should be repealed. The high-grade cabinet and finishing lumber and veneers derived from forms of timber not produced in the United States may be regarded as luxuries, but all forms of wood of kinds produced in the United States are necessaries, and their relief from tariff restrictions is imperative in the interests of the well-being of our people.

A consideration to which but little attention was paid in the hearing on November 20 was the general effect of the repeal of the lumber tariff on general trade relations with Canada. The great country to the north of us, notwithstanding annoying tariff restrictions on both sides of the international line, is per capita of population the best patron the United States has. Of late years, however, there has been a tendency on the part of the Canadians to reduce this patronage by means of tariff legislation. Rightly or wrongly, the Canadians feel that the United States has not treated them in a brotherly way in trade and tariff relations, and they especially resented the imposition of the $2 tariff on lumber in 1897. A repeal of the lumber tariff at this time by extending the market of a great Canadian industry might lead to concessions by Canada to the United States and would in any event tend to stay the rising tide of feeling in Canada in favor of tariff discrimination against the United States. This consideration becomes especially important when we find that the concession

Digitized by Google

so much prized by Canada would be in the general interest of our own people without real injury to any element thereof, which we believe to be the case.

The interests of our own people demand the repeal of the tariff on lumber and kindred products because it would give us—

I. Cheaper lumber, thus benefiting the American manufacturer and consumer, and

II. By reducing the drain on our forests, tend to the prolongation of our domestic timber supply and give us needed supplies of timber during the interval, necessarily long, that must elapse between the disappearance of the present style of lumbering and the general introduction of the new kind that means forest conservation.

It is absurd and unjust to tax our people on an article the domestic supply of which is constantly and rapidly diminishing.

The raising of timber is not an industry in the United States. The hand of man is not involved. The timber we have is the gift of nature. No one has toiled over it as the farmer toils over his crops. It is natural wealth, it is not manufactured, and there is no reason why its mere ownership should be protected.

The testimony on the subject of forest supplies leaves little doubt that the passing of a generation will see our commercial forests practically exhausted, but long before the forests have completely passed away the blight of their decadence will be upon the land. Nothing that we can now do will enable us to escape all suffering on this account. If every timber owner in the country were to immediately turn to scientific lumbering, there would still be a considerable interval of time in which the timber supplies would be insufficient. How absolutely necessary, then, it is that we shorten this period and reduce its ill effects as much as possible by opening to ourselves the forest supplies of other countries.

To follow any other course is not statesmanship or good national economy, for any other course means the unnecessary and evil taxation of our people, with the practical effect of stimulating the destruction of our forests with the funds wrung from a wrongly taxed people.

Lumber tariff not merely $2 a thousand.

Throughout the hearing on the lumber schedule almost no attention was paid to anything except the minimum lumber tariff, which, outside whitewood, sycamore, and basswood, is $2 per thousand. The much higher duty on finished or partly finished lumber was largely ignored. The tariff law provides that lumber planed on one side shall pay a duty of $2.50 a thousand; planed on two sides, $3 per thousand; planed on both sides and grooved and tongued, $3.50 per thousand. This finished lumber is the kind that goes very largely to the ultimate consumer. A large percentage of common lumber goes into boxes, and it is hard to determine just how much the tariff of $2 a thousand on common lumber affects the ultimate consumer. But unquestionably for the benefit of the actual individual user of lumber it is necessary that the tariff on finished lumber be repealed altogether. No witness at the hearing had the temerity to say that American mills could not compete with Canadian mills in any market of the world in the higher grades of lumber. Why, then, should a much higher tariff be levied on finished lumber than on rough? If the tariff on lumber is not entirely removed, this discriminating tax

Digitized by Google

should not be left. If finished lumber must be taxed, let it pay a reduced fixed rate of so much a thousand and not an increasing rate for each additional touch that makes it the more ready for use by our home builders. I suppose the theory of a higher duty on the finished product was that it would lead to the finishing of imported lumber at American mills, but the result has shown that there was nothing to justify this theory.

Here, too, the interests of the American manufacturer, as well as the interests of the consumer demand attention. The finished lumber is the raw material of the millworker. American sash and door manufacturers and millworkers can compete anywhere. They can ship their product to Canada and undersell the Canadians at home. Let them have their raw material as cheap as possible. On the other hand they do not require protection in the finished product of their shops for the obvious reason that the foreigner can not compete with them at home, much less here.

To illustrate the wisdom of repealing the tariff on the higher grades of lumber let us consider one or two lumber bills. A retail lumberman has furnished me with a bill of lumber for a church in North Dakota. The common lumber in this church cost $600 and the finishing lumber $1,100. In a house at Minot, N. Dak., the common lumber cost $400 and the finishing lumber $450. The tariff element in the cost of the church was probably $255, and in the cost of the house $142.50 (figuring it at 15 per cent ad valorem), and in each case the larger portion was for finished lumber. But these figures also show that the man who builds a house is interested in the repeal as well of the tariff on common lumber, even if the man who buys a packing box as an auxiliary to a purchase of some packed article is not interested.

The "low-grade" bogey.

Great stress was laid by witnesses in favor of the present or a higher tariff on lumber, on their fear of Canadian competition in the low grades of lumber. Now as to the mills in the West—i. e., in British Columbia, Alberta, and Saskatchewan—the low-grade problem does not exist at all so far as the interior market is concerned. What low-grade lumber may be produced in British Columbia can not be shipped into the interior of the United States because of the cost of transportation. Like their fellows in Washington and Oregon, the British Columbia mills try to avoid making low-grade stuff, and what they do make they must market in the cities and mining camps of British Columbia and at the nearest consuming points in the prairie provinces. The only source of competition in low grades that really seems to trouble our lumbermen is the Georgian Bay district of Ontario. It is noticeable that the lumbermen of Minnesota, Wisconsin, and Michigan, with whose product this Georgian Bay low-grade stuff would compete, seem to be less interested in the lumber tariff than the lumbermen of any other section of the country. Only one lumberman from Minnesota appeared before your committee in favor of the retention of the lumber tariff, and his major interest is in California. No Wisconsin lumberman and no Michigan lumberman (except Mr. Fordney) appeared to testify. The one witness who really made a specialty of the competition of Georgian Bay low

Digitized by Google

grades with American low grades was Mr. E. S. Hines, of Chicago, who has immense stumpage interests in Minnesota and Wisconsin. An interesting opinion on this subject is that given by Mr. Daniel Wells, of the White Pine Lumber Company, Detroit, Mich., who writes:

There should no more be a wall between Canada and the States than there should be a wall between any two of our own States. One of the most vital causes our United States have prospered to the undreampt of extent in which we find them to-day is because absolute free trade has always existed among them. Canada is just another State which happens to be over the international boundary line.

Has the Wisconsin lumber industry suffered because the Michigan mills have been shipping lumber by the million into the best of her farming country for the last twenty years? Has the lumber industry of the North Central States been dwarfed because the lumber regions south and west derive their principal market from these States and flood it with their product? Approximately only 10 per cent of the lumber consumed in the States comes from Canada. How can 10 per cent govern the price for the other 90 per cent?

If the lumber industry is still an infant in need of coddling, where can we find a single industry in America that can compete with the foreigner?

It is noteworthy that Messrs. Hines and Walker, who appeared before your committee in the interests of protection to the lumber industry, are just now said to be engaged in forming a gigantic white pine ownership combination. They and the interests now reported to be uniting with them, as per the following newspaper reports, will probably own 5,000,000,000 of the 30,000,000,000 of white pine now standing in the Lake States, and with a few other large interests will probably own or control more than half of all the available supply of this valuable timber, which at the present rate of consumption can hardly last more than ten years. For further discussion of the details of Mr. Hines's testimony, I take pleasure in referring to the statement attached hereto of Mr. A. R. Rogers, of Minneapolis, who was also a witness before your committee on November 20.

The real question.

Brushing aside all the perplexities about railway rates, competition of low grades, etc., which are just so much technical dust thrown into the eyes of the committee, the question to be answered is simply this:

Does the committee want to protect excessive stumpage values in a vanishing, cornered, natural resource? Does the committee wish by legislation to impose an additional tax on the consumers of this white pine, which will soon be as scarce as the buffalo?

The more money there is in it, the faster the white pine will be destroyed.

The more foreign competition is kept out, the more valuable is the scant remaining domestic supply and the greater the temptation to rush it to the mills and convert its value into actual dollars.

To protect the white-pine industry is just as logical as it would be to impose a tariff on Canadian buffaloes in order to protect American buffalo hunters in their business. Nobody would maintain that such a duty would protect the buffalo, though it might help the hunter to a greater profit and hurry him to the extinction of the American herd, if there were any.

Digitized by Google

The white-pine forest is nearing its doom; a few great interests have practically cornered it. Shall they be encouraged by a bounty of $2 a thousand to rush the work of destruction? Wouldn't it be better to let the consuming population of the lower lake region have the benefit of cheap Georgian Bay lower grades if legislation can give it to them? If our forests must go in the end anyway, before reforestation can begin, let us adopt a policy that will combine their preservation as long as possible with the good of the cheapest possible lumber supply.

White pine as a luxury.

This Wisconsin and Minnesota white pine is now so valuable as to be almost a luxury. Assured of immense profits on the manufacture of high grades, or by holding their white pine, Mr. Hines and allies naturally desire to assure themselves of profits on the low grades as well. So assured are their profits on the rear guard of the vanishing white-pine uppers that they could well afford to take some loss on their lower grades. It may well be doubted whether if lumber were placed on the free list the mills of Minnesota and Wisconsin would employ a single man less than now.

It must not be forgotten that they have immense markets for their own low grades right at their own doors. They are not natural competitors with the Georgian Bay low grades in a large part of the American territory that can draw on Georgian Bay mills. In that part of the market the duty on low grades is wholly a revenue proposition; it protects nobody. But we maintain that the forest products of this continent should be open to those regions that are geographically their natural consuming territory. If Georgian Bay can supply New York State with common boards cheaper than the Minnesota mills can do it, let them do so, and leave the interior market to Minnesota, where it has a distinct advantage. The consumer—the buyer—is entitled to some consideration.

[From the Minneapolis Journal, November 27, 1908.]

GET TOGETHER IN WHITE-PINE DEAL—WALKER AND WEYERHAUSER REPORTED TO HAVE REACHED A "BUSINESS UNDERSTANDING"—PROMOTORS OF COMBINE HAVE GONE TO COVER—TENTATIVE CONFIRMATION OF THE BIG DEAL GIVEN OUT BY WEYERHAUSER INTERESTS.

T. B. Walker, largest individual owner of standing white-pine timber in the world, is reported to-day to be heavily interested with Frederick Weyerhauser in the formation of the new $20,000,000 lumber syndicate. This means, if correct, that after many rumored attempts to arrive at a "business understanding" Mr. Walker and Mr. Weyerhauser have at last been successful. At his office to-day it was said Mr. Walker is in Washington. That that gigantic corporation is actually in process of formation was practically admitted to-day at the Weyerhauser offices in St. Paul.

John Weyerhauser, who was in charge during the absence in Chicago of his father, Frederick Weyerhauser, refused to make any direct statement for publication, but he did say:

"If Mr. Hines has given out any statement that such a deal was in progress, he probably has reasons for doing so."

Not familiar with details.

Mr. Weyerhauser said he was not familiar with the details of the deal under way, however, but had heard something about the matter in a "general way." Mr. Mahan, confidential man of the Weyerhauser interests, was also secretive, but said it was true that Frederick Weyerhauser was in Chicago and had seen Edward Hines and also that Rudolph Weyerhauser had been there and was now on his way back to Cloquet, Minn.

Digitized by Google

Edward Hines and others directly concerned in the syndicate vanished from Chicago last night, and it was supposed they had left for the twin cities. At the Weyerhauser offices to-day this was denied, and it was said that Mr. Weyerhauser is not expected home for a week.

While figures publicly stated have fixed the combination as a $20,000,000 affair, competing lumber interests can see no limit to its capitalization, but at the same time they expressed no fear of its attempting to restrain trade by fixing prices.

Chicago to be headquarters.

Chicago is to become the sole selling headquarters of the new lumber combination, and Edward Hines is to be president of the syndicate.

The direct business associates of the men prominently named in the venture are noncommittal, and, although friendly lumber interests are willing to take the figures of 3,000,000,000 feet, lumber measure, which means a board a foot long, a foot wide, and 1 inch thick, as the "capital stock" of the syndicate, real competitors believe the estimate is low.

However, assuming that 3,000,000,000 feet of white pine is correct, 150,000 modern houses "could" be constructed out of it; 100,000 men would have "spasmodic" annual employment in the fields, and it would require at least forty years to cut all the timber. But genuine white pine is seldom used in the construction of the modern cottage. It is too expensive, and yellow and Norway pine is commonly used, though the purchaser of the house is not always aware of the substitution.

Why combine is powerful.

Ncwadays the modern cottage made exclusively or largely of white pine can not be sold at "a couple of hundred down and balance same as rent." It's this thing that makes the new combination so powerful in the eyes of the lumber interests—far more important than can be realized by the outsider. The principal holding of the new combine is made into sash and doors, interior finishes, and other high-grade work.

The new combination not only controls the key to the white-pine situation, but it also has a large voice in the hemlock, yellow, southern, and western pine fields, Mr. Weyerhauser controlling the supply of Mississippi.

Cloquet, Minn., is the center of production of white pine, and the controlling elements there are Mr. Weyerhauser, the Northern Lumber Company, Cloquet Lumber Company, and the Johnson-Wentworth Lumber Company—which also came into the new combination with the Cooke & O'Brien people—a feature that was not stated in Wednesday's announcement.

Edward Hines a few years ago was a lumber salesman. He won confidence of Mr. Weyerhauser, who is said to have furnished the financial backing—or part of it, at least—for the Edward Hines Lumber Company.

[The Minneapolis Journal, November 26, 1908.]

TWENTY MILLIONS IN LUMBER POOL—SYNDICATE BEING FORMED TO TAKE OVER NORTHERN MINNESOTA PINE FORESTS—WEYERHAUSER, COOKE & O'BRIEN, AND HINES PEOPLE IN BIG PROJECT.

CHICAGO, *November 25.*

One of the most important lumber deals of recent years, by which a $20,000,000 syndicate will take control of the pine forests of northern Minnesota, is near completion.

Representatives of the three big interests involved—the Weyerhauser Company, of Cloquet, Minn.; the Cooke & O'Brien Company, of Duluth; and the Edward Hines Lumber Company, of Chicago—met late yesterday at the Union League Club to discuss the plan by which the Hines Company, either in itself or operating through a syndicate, is to take control of the properties.

Edward Hines to-day said the plan was not in such shape that he could give out the details, but admitted that it would be put through within a day or two, and that nothing but minor matters were left to be settled.

Big interests to be pooled.

Besides Mr. Hines, at the meeting were Frederick Weyerhaeuser and his sons, John and Rudolph, and a member of the firm of Cooke & O'Brien.

The interests to be pooled are:

Lumber in Minnesota and the Province of Ontario, controlled by the Weyerhaeuser people, valued at $8,000,000.

Digitized by Google

Lumber in Minnesota, controlled by the Cooke & O'Brien people, valued at $11,000,000.

The Rainy Lake, Duluth and Winnipeg Railroad, controlled by Cooke & O'Brien, 200 miles long, and worth $1,000,000.

Between $1,000,000 and $2,000,000 worth of lumber controlled by the Hines people.

World's biggest white-pine tract.

This constitutes 3,000,000,000 feet of lumber in white pine, Norway pine, and hem lock. It comprises the biggest tract of white pine left in the world. The timber lies in St. Louis County, the county to the east, and in Ontario. The object of the combine is said to be to obtain control of the transportation facilities so that the lumber can be handled cheaper for all concerned.

Just how the reorganization is to be brought about was not divulged. The Weyerhaeuser Company owns 45 per cent of the stock of the Hines Company.

No duty on high grades.

It has been asserted that 60 per cent of the low-grade lumber imported into this country goes into boxes, though I believe 35 per cent is the more commonly accepted figure. In any event, if the tariff be removed, one or both of two classes will be benefited—the buyer of boxes and the manufacturer of boxes. If the buyer (the consumer) gets none of the benefit of the reduction, then the manufacturer must get it. Box manufacturing is a large and important industry, and the ability to secure cheap raw material from abroad insures its prosperity, and the box manufacturer is as much entitled to consideration in his industry as the lumberman in his.

But if your committee should conclude that the repeal of the $2 tariff, which on low grades amounts to an ad valorem duty of 25 to 40 per cent, would really result in disastrous competition to the American manufacturer of lumber, let a reduced tariff remain on low grades, but don't forget that the consensus of testimony on both sides is that on high grades the American manufacturer can compete anywhere. If some tariff is levied on low grades, the higher grades of lumber should be absolutely free from duty. Leave a duty on Nos. 4 and 5 boards, and inferior products, if you must, but let the American consumer have the full advantage of freedom of trade in the high grades, where the manufacturer confesses he does not need protection.

If it is desired to benefit the consumer in the scheme of tariff revision the duty should also be repealed on laths and shingles, which go to the ultimate consumer without any further manufacture.

Box shooks, kindling wood, clapboards, posts, and pickets should also have the duty removed if it is desired to benefit large classes of population. The farmer is a large consumer of all these products.

Cost of production— Wages—Equipment.

The lumbermen appearing before your committee in support of the present, or a higher tariff, made much of the alleged increase in the cost of production. There has been no such increase in this respect as is commonly believed, and what increase there has been has been offset by the superior efficiency of the mills in recent years, and the profitable utilization of products that were formerly wasted. The "overrun" of the log is much greater now than formerly in well-conducted mills. The pay roll of the Brooks-Scanlon Company's mill at Scanlon, Minn., which is attached hereto, may be taken as typical of the wage scales prevailing in the northern States in recent

Digitized by Google

years, and it is probable that relatively it reflects wage conditions in other parts of the country. From 1902 to 1906 there was practically no increase in the rate of wages paid in this lumber mill, though that was a period of great prosperity in the lumber trade. In 1906 eighteen classes out of forty-three classes of employees had their wages increased about 10 per cent. Five classes had their wages reduced in the same year, and in 1908 there was a reduction of about 10 per cent through almost the entire pay roll, with the result that in 1908 the outlay for labor in the Brooks-Scanlon mill was back to just about where it was in 1902. Yet in 1907 the average price of lumber was 24 per cent greater than in 1902. This pay roll demonstrates anew the truth of the old saying that wages are the last to feel the effects of prosperity and the first to feel the effects of adversity. It was not until 1906 that wages began to enjoy the good times that had been prevalent for at least eight years, but with the return of the depression in 1908 they tumbled immediately.

Scale of wages paid per day of ten hours, Brooks-Scanlon Lumber Company, Scanlon, Minn., month of May, 1902 to 1908, inclusive.

	1902.	1903.	1904.	1905.	1906.	1907.	1908.
River foreman, per month	$65.00	$65.00	$65.00	$65.00	$72.00	$72.00	$65.00
Chief engineer, per month	125.00	125.00	125.00	125.00	110.00	100.00	110.00
Yard foreman, per month	100.00	100.00	100.00	100.00	125.00	140.00	140.00
Grader (lumber) foreman, per month	67.00	67.00	67.00	75.00	65.00	65.00	65.00
Platform foreman, per month	50.00	75.00	100.00	75.00	75.00	75.00	65.00
Planing mill foreman, per month	80.00	90.00	100.00	125.00	80.00	90.00	90.00
Ground foreman, per month	65.00	65.00	78.00	75.00	75.00	65.00	65.00
Barn foreman, per month	55.00	55.00	65.00	85.00	85.00	75.00	68.00
Pond and river men	2.20	2.25	2.25	2.25	2.25	2.50	2.00
Sawyers	7.05	7.00	7.00	7.00	7.00	7.00	6.00
Setters	3.25	3.25	2.75	2.75	3.25	3.25	3.00
Swampers	2.10	2.10	2.25	2.35	2.50	2.50	2.25
Deck hands	2.00	2.00	2.00	2.00	2.00	2.25	2.00
Floor hands	1.75	1.75	1.75	1.75	2.00	2.00	1.75
Edger men	2.85	3.00	2.75	2.75	2.85	3.10	2.85
Edging men	1.75	2.00	2.00	2.00	2.00	2.10	1.75
Edger and tables	1.75	1.75	1.75	1.75	2.00	2.25	1.75
Trimmer men	2.00	2.25	2.25	2.35	2.50	2.50	2.25
Hog and trimmers	1.75	1.75	1.75	1.75	2.00	2.00	1.75
Head slasher	2.00	2.15	2.15	2.15	2.25	2.50	2.15
Tail slasher	1.75	1.75	1.75	1.75	2.00	2.25	1.75
Sawyer resaw	.....	.....	.....	2.50	2.50	2.75	2.35
Other resaw men	.....	.....	.....	2.00	2.00	2.25	1.75
Oilers	2.25	2.25	2.25	2.25	2.25	2.25	2.00
Engineer, nights	3.50	3.50	3.00	3.00	3.50	3.50	3.25
Engineer, days	2.50	2.50	2.25	2.25	2.50	2.50	2.25
Firemen	2.50	2.25	2.25	2.50	2.50	2.75	2.25
Blacksmith	2.75	3.00	3.50	3.50	3.50	3.75	3.25
Horseshoer	2.75	3.00	3.00	3.00	3.25	2.75	2.50
Horseshoer helpers	1.75	1.75	1.75	1.75	2.50	2.25	1.75
Millwrights	3.00	3.00	3.00	3.10	3.25	3.35	3.35
Steam fitter	2.50	2.50	2.50	2.50	2.50	3.50	3.25
Watchman	2.00	2.00	2.00	2.25	2.00	2.25	2.00
Gang sawyer	4.00	4.00	4.50	5.00	3.50	4.25	4.00
Crane man	3.50	3.50	3.50	3.00	3.50	3.50	3.50
Cant men	2.10	2.10	2.10	2.10	2.10	2.35	2.35
Common labor	1.75	1.75	1.75	1.75	1.75	2.00	1.75
Graders	2.50	2.50	2.50	2.50	2.50	2.65	2.25
Scalers	2.25	2.25	2.25	2.25	2.25	2.35	2.00
Teamsters	1.95	1.95	1.95	1.95	2.00	2.00	1.85
Chain men	2.00	2.00	2.00	2.00	2.25	2.35	1.85
Machine men	2.00	2.00	2.00	2.00	2.25	2.10	2.00
Mill superintendent, per year	1,800.00	1,800.00	2,000.00	2,000.00	2,200.00	2,400.00	2,400.00

Our average pay roll for the month of May during the period of seven years has been $22,877.50 per month in our sawmills and lumber yards.

I have examined the above figures and hereby certify as to their correctness and accuracy.

BROOKS-SCANLON LUMBER COMPANY,
M. J. SCANLON, *Vice-President.*

Digitized by Google

Wages higher in Canada.

In support of our contention that wages are higher in the lumber industry in Canada than in the United States, we have collected data from nine Canadian mills, including the two testified to before your committee on November 20 by Mr. Lynch, and five United States mills, and from this data have made up a comparative table of the wages paid certain classes of employees. The detailed statements from which these averages were made will be found attached hereto, and except the figures for the Scanlon mill given above, it will be observed that in all of the classes, which were taken at random, the pay in the Canadian mills averages considerably higher, excepting in the case of firemen.

Comparative statement of wages paid per day to certain kinds of employees in sawmills in Ontario, Saskatchewan, British Columbia (mountain and coast), averaged, as compared with wages in Oregon and Washington (interior and coast) and Minnesota, averaged, five to nine mills in former class and five in latter.

	Canada.	United States.
Foreman	[a] $143.33	[a] $127.50
Band sawyer	6.19	5.20
Filer	7.35	6.83
Engineers (chief)	4.25	3.79
Graders	2.99	2.44
Firemen	2.54	2.78
Millwright	3.99	3.56
Setter	3.38	3.12
Edgerman	3.62	3.20
Trimmer	2.54	2.48
Common laborers (white)	2.30	2.05

[a] Per month

Logging camp wages.

The following table gives a good illustration of comparative wages paid in logging camps in the United States and Canada. It will be observed that the wages in the Canadian camps are uniformly higher than in the American camps.

Comparative statement of wages paid per day in logging camps in Canada and the United States.

	Canada.		United States.	
	International Timber Co., Campbell River, British Columbia.	Fraser River Saw Mills (Limited), Fraser Mills, British Columbia.	Simpson Logging Co., Shelton, Wash.	Mason County Logging Co., Olympia, Wash.
Barker	$2.75	$3.00 to $3.25	$2.50	$2.50
Blacksmith	3.00	[a] 75.00	3.00	3.00
Blacksmith helper	2.50	2.25	.....	.....
Buckers	3.00	3.25	2.75	2.75
Cook	[a] 75.00	[a] 75.00	[a] 65.00	.....
Dogup man	2.50	3.00	2.50	2.50
Engineer	3.25	[a] 65.00	3.00	2.50 to 3.00
Faller, head	3.50	4.00	3.00	3.00
Faller, second	3.00	3.75	2.75	2.75
Fireman	2.50	2.50	2.00	.....
Flunkey	[a] 35.00	[a] 35.00	[a] 30.00	.....
Hooktender	4.00	5.00	3.75	4.00
Line horseman	2.50	.....	2.25	2.25
Rigging slinger	3.00	3.50	2.75	2.50
Signal man	2.50	3.00	2.25	2.25
Skidder, head	3.00	.....	3.25	.....
Skid roadman	2.25	2.25	2.00	2.00
Sniper	2.75	3.25	2.50	.....
Swamper	2.50 to 2.75	.....	2.25	2.25 to 2.75
Undercutter	3.50	.....	3.00	.....
Woodcutter, behind donkey	.....	3.00	2.00	.....

[a] Per month.

Digitized by Google

All these laborers, skilled or unskilled, in the Canadian camps, are white men. The British Columbia law forbids the employment of orientals in logging operations on timber lands leased from the province, which are by a very large percentage the bulk of the entire timber area of the province.

Equipment and production cost higher in Canada.

The testimony adduced before your committee absolutely demonstrates that the cost of equipping a sawmill in Canada is much in excess of similar work in the States. Whether the machinery be American or Canadian made, it costs more than in the United States by the amount of the tariff, at least. The only difference is that in the case of American-made machinery imported into Canada the Canadian government gets that portion of the extra cost represented by the duty, while in the case of Canadian-made machinery the Canadian manufacturer gets it. What is true of milling machinery is largely true of logging camp equipment. However, much, therefore the cost of lumbering in the United States may have increased in recent years on account of the increase in the prices of the commodities the lumberman buys, his Canadian trade brother is still worse off.

In a statement by D. N. Winton, of the Thief River Falls Lumber Company, Thief River Falls, Minn., the Prince Albert Lumber Company (Limited), Prince Albert Saskatchewan, the Bemidji Lnmber Company, Bemidji, Minn., and the Northwest Lumber Company, Kalispell, Mont., attached hereto, will be found some interesting information in regard to comparative cost of production in the United States and Canada. Omitting the cost of logs or the cost of stumpage and the expense of logging, driving, etc., Mr. Winton gives the cost of manufacture and the cost of selling and shipping at his Thief River Falls, Minn., mill at $3.482 in 1906 and $3.418 in 1907, while at the Prince Albert, Saskatchewan (Canada), mill the total cost of manufacture, shipping, and selling was in the same years $4.187, being more than 20 per cent more at the Canadian mill than at the American mill. The average price received for lumber at the American mill in 1907 was $21.10 per thousand, and at the Prince Albert mill $21.66 per thousand. Thus while the cost of manufacture at the Canadian mill was about 20 per cent more than at the American mill, the price received for lumber was only 2 per cent greater than at the American mill.

Lumber relatively higher than other commodities.

In this connection it is worth remembering, as Mr. Hill, of Connecticut, pointed out on November 20, that however much other commodities may have increased in price, lumber has surpassed, overhauled, and distanced all of them in the great hill-climbing contest. The following table taken from page 299, Bulletin No. 75 of the Bureau of Labor, Department of Commerce and Labor, presents incontrovertible evidence on this subject.

Digitized by Google

Relative price of commodities 1890 to 1907.

[100 represents average price for 1890-1899.]

	1902.	1903.	1904.	1905.	1906.	1907.
Farm products	130.5	118.8	126.2	124.2	123.6	137.1
Food, etc	111.3	107.1	107.2	108.7	112.6	117.8
Cloths and clothing	102.0	106.6	109.8	112.0	120.0	125.7
Fuel and lighting	134.3	149.3	132.6	128.8	131.9	135.0
Metals and implements	117.2	117.6	109.6	122.5	135.2	143.4
Lumber and building materials	118.8	121.4	122.7	127.7	140.1	146.9
Drugs and chemicals	114.2	112.6	110.0	109.1	101.2	109.6
House furnishing goods	112.2	113.0	111.7	109.1	111.0	118.5
Miscellaneous	114.1	113.6	111.7	112.8	121.1	127.1
All commodities	112.9	113.6	113.0	115.9	122.5	129.5

Oriental labor.

Much has been made of the use of oriental labor in British Columbia; much more than the facts warrant. There are no more Japs in British Columbia than there are in the Coast States, and the prejudice against employing them in occupations desired by whites is just as great, if not greater. The laws of British Columbia forbid the employment of either Chinese or Japanese in all logging operations on leased provincial timber lands, which are fully 90 per cent of the forest area of the Province. There is no law in the Coast States that so explicitly expresses the race prejudice as this. Moreover, Japanese are employed to some extent in American mills. At the time of the outburst of racial antipathy against the Japanese on the Pacific coast, two years ago, Vancouver was far more disturbed and agitated than any American city. Canada was even ahead of the United States in coming to an agreement with Japan regarding the exclusion of Japanese from Canada. By the present arrangement only an insignificant number of Japanese may land in Canada annually. As for Chinamen, while they are not excluded from British Columbia, the head tax of $500 is virtual prohibition, and there is no immigration of Chinese into the Province. Within the last three years several thousand Hindoos came to British Columbia, drawn there by reports of scarce labor and high wages. They have been driven across the line into Washington and driven back again. American mills employed them and they were mobbed. The Hindoos are not wanted in British Columbia, and the Canadian government is now planning to deport the whole colony, 3,000 or 4,000, all told, to Honduras. They are very inefficient workmen, because of their lack of muscular strength, their unfamiliarity with western methods, and their general ignorance. They draw from one-half to three-fourths as much pay as white men, and yet one employer considers that one white man is worth three Hindoos. The fact is that common white labor up to this time has been almost nonexistent in British Columbia, and the mill owners have had to use Chinamen, Japs, Indians, Hindoos—anything that had a trace of human intelligence—not to save labor cost, but to get some sort of labor at any cost. There is no doubt that as a whole the oriental labor employed in the coast mills of British Columbia is costlier than white labor, because it is far less productive. It really proves nothing as to labor cost to show a few orientals in a payroll, because it is certain that as a very general rule their efficiency is much below that of whites.

Digitized by Google

What orientals are employed are almost entirely in the tide-water mills. The mountain mills of British Columbia use few, if any, oriental laborers. Of four mountain mills on whom we have drawn for data, two do not employ any orientals, and the whole four only employ 20 orientals in their entire forces, and these are practically all as common laborers, who are employed side by side with white common laborers in the same mills at as high or higher wages than are paid in the State of Washington.

Summarized the oriental labor element in the problem amounts to nothing. Actually oriental labor is costlier than white, the supply is limited, and will decrease, and what is now used does not make the cost of production of lumber cheaper in British Columbia than in Washington. Certainly no American laborer will lose a job in the United States because of the employment of a few orientals in British Columbia, and he can go to that Province at any time and take an oriental's job away from him at the same, if not higher, pay than he was getting in the States.

Probably the only reason that so much has been made by the high lumber tariff protagonists of the oriental labor employed in British Columbia is a demagogic one, viz, that of appealing to race prejudice with the purpose of confusing the problem. On the Pacific coast it is in some quarters quite enough to rally the crowd to any standard by associatmg yellow labor with the other standard. Every man who will make a calm study of the facts will agree that it is simply ridiculous to bring oriental labor into a consideration of the cost of producing lumber.

Cheap labor competition within the United States.

It is noteworthy, too, in this connection that the oriental laborer employed in some of the British Columbia mills is better paid than the common white or negro laborer in the southern mills. The white pine and fir lumbermen who have to pay the higher wages have now to compete with cheaper labor in the South than they would have to on the coast with Canada. Common laborers in the southern mills (see Mr. Scanlon's testimony) get only $1.25 a day.

Indeed, the testimony shows that even in the white-pine States common labor is hardly paid more than oriental labor on the Pacific coast. Mr. Scanlon testified that at his mill in Minnesota common labor was getting $1.75 per day, and $1.50 per day in the logging camps. A calculation made up from the pay rolls attached hereto for various British Columbia mills shows that common oriental laborers in those mills are paid from $1.25 to $2.35 per day, the average being $1.68 per day. White common laborers in the same mills average $2.30 per day, and the average of the whites and orientals together is $1.94 per day, which is much higher than the average paid to common labor in either the white-pine States or the southern yellow-pine States.

The plea for the shingle.

A special plea is made for the shingle mills of the Puget Sound country, on the ground that the employees of the British Columbia shingle mills are about 80 per cent oriental, and also that the British

Digitized by Google

Columbia shingle is a better shingle than the American. It is not often that an American manufacturer argues for protection against the foreign product on the ground that it is better than his own, but this is done in the case of the shingle industry. It is a fact, well known to the lumber trade, that to-day the superior British Columbia shingle finds a ready market in the United States at a price higher than the Washington shingle by the amount of the duty, namely, 30 cents per thousand. The Washington shingle manufacturer can make as good a shingle as is made in British Columbia, but he prefers not to, and asks that he continue to be protected in the production of an inferior article. Curiously enough, he alleges that it is on account of the employment of oriental labor that a better shingle is made in British Columbia than in Washington. The reason of this is that the oriental works slower and takes more care than the white laborer. Consequently, his product in a given time is much less than that of a white man, yet both work at piece rates. It is stated that the average daily output of the white shingle maker is 40,000 shingles; that of an oriental 25,000 shingles. The efficiency of the white laborer according to this statement is 60 per cent greater than that of the oriental. It is hard to see how oriental labor can compete injuriously with white labor in the shingle industry, except as the oriental makes a better shingle. An interesting side light is thrown on this subject by an interview with a Puget Sound lumberman, appearing in the Mississippi Valley Lumberman of November 13, 1908, Mr. F. L. Meares, of the Olympic Lumber Company, Alaska Building, Seattle. The gentleman quoted said:

> I believe that the removal of the duty would benefit rather than injure the shingle situation, because it would compel the American manufacturers to turn out a better grade of product. Washington shingle men do not make shingles of the high standard reached across the border. They are careless. This is a well-known fact. The Canadian manufacturers pack as well as cut a better article, and they ship it into the States over the heads of the American and sell it in spite of a 30 cent duty per thousand. If we had free trade the Americans would find it necessary to advance their standard. At first, of course, the shoe would pinch, but in the end the advanatge would be ours.

Contrary to the general opinion expressed by lumbermen appearing before your committee in support of the tariff, Mr. Meares does not think that the removal of the duty would mean wasteful lumbering. In the same interview he stated: "As far as lumber is concerned, the same argument applies in a limited way, but I am of the opinion that the waste would be reduced and there would be more shingles with better methods of manufacture as a result. At the same time I think the sentiment of the entire Pacific slope is against a change in the present tariff schedules, and undoubtedly the Washington lumbermen will be able to carry their point."

Should the American consumer be compelled to pay a tax in order to get a superior article from abroad, when that tax is an encouragement to the domestic manufacturer to produce an inferior article?

Tariff does not favor forest conservation.

It is the contention of those who favor the present lumber tariff, or a higher one, that the admission of the forest products of other countries will tend to hasten the destruction of our forests instead of prolonging their existence by reducing the pressure on them. Reduced to its simplest terms their testimony on this point is simply that they

Digitized by Google

will be unable to compete with the low-grade lumber imported from Canada, and will have practically to abandon the production of low grades themselves. That is, they will leave in the forests all parts of the timber tree that will not make into a large percentage of high-grade lumber. Whereas, they say, with the present duty they clean up their cuttings; without the duty they would not clean them up. They do not take the position that they will cut any smaller area of timber or any fewer trees each year than they do now. They simply say they will not be so economical of the product. In other words, tariff or no tariff, as the lumberman who desires protection sees it, our forests will be cut down with ever-increasing rapidity. But in the one case they promise less waste than in the other. Now, this is not forest conservation, though it may mean, if we are to accept their premises, wood economy. On this point it is sufficient to say that the Pacific coast lumbermen testify that they now leave 25 per cent of the tree in the forest. It is hardly likely that under any conditions they will leave more of it there in the future.

The testimony of the high-tariff lumbermen on this subject, then, simply resolves itself into a threat that if the tariff is reduced they will leave their cut-over timber lands covered with the débris of the unused portions of the trees. These slashings will be the certain origin of numerous fires, which will, if not extinguished, destroy the standing timber adjacent. Timber has become too valuable for lumbermen to conduct their operations willfully in a manner that will tend to promote the destruction by fire of what is reserved from the ax.

But we do not concede that the American lumberman can not compete with the Canadian lumberman in low-grade boards. Take any impartial lumberman, such as Mr. Scanlon, who is familiar with conditions on both sides, and he will tell you that anywhere from Minnesota to the Pacific coast the American lumberman who knows his business can produce his lumber cheaper than the Canadian. The Canadian can hardly undersell the American lumberman to any great extent, then, on the higher grades of lumber, and the American lumberman at the same prices will be able to make a profit so much larger on his high grades than the Canadian can that he can well afford to sell his low grades in competition with the Canadian low grades. Wherever Canadian competition is powerful the low grades of lumber will be cheaper, much to the benefit of the consumer, and little, if any, injury to the producer. The fact ought to be borne in mind in this connection that the great majority of the mill owners own their own stumpage, which has increased enormously in value within the last few years. Also that during the seven years preceding 1908 the profits from the manufacture of lumber, generally speaking, have been lavish. They will continue to be so in the future in normal times, and they are so large that they can well stand some reduction which will benefit the consumer and yet leave the producer some distance from the poorhouse.

Percentage of low grades.

When I stated before your committee that I thought 20 per cent would cover the proportion of low-grade lumber, Mr. Fordney maintained that 40 per cent was right, and later witnesses even put the

Digitized by Google

amount of low grades as high as 60 per cent. These higher figures are incomprehensible to me in view of such data as I have been able to collect. In a statement on the relative cost of production in the United States and Canada by Mr. D. N. Winton, attached hereto, he says that in 1906 and 1907 the percentage of low-grade boards and shorts (meaning by low-grade boards, No. 4 and No. 5) at the mill at Thief River Falls, Minn., averaged 25 per cent. One of the large Minneapolis mills from 1896 to 1903 averaged only 16.2 per cent low grades, including No. 4 and No. 5 boards and No. 4 and No. 5 shorts and strips. Certainly, mills having only these percentages of low grades have nothing to fear from Canadian low-grade boards.

Washington forester favors free lumber.

Chief Forester E. O. Westfall, of the Washington State Reforestry Association, does not agree with many witnesses before your committee as to the effect of free lumber on forest conservation. In the Mississippi Valley Lumberman of November 13 he is quoted as saying that there is almost no interest whatever among the lumbermen in Washington looking toward the preservation of the forests, and that he finds "the mill men are apparently desirous of cutting down the timber as rapidly as they can without thought of the future." He believes this short-sighted policy will be overcome by putting Canadian lumber on an equal footing.

In the same issue of the same publication another lumberman, who is described as one who thoroughly understands the Canadian situation, says "that the last few years has demonstrated the fact that the ordinary production of the British Columbia mills is little, if any, more than is necessary for the needs of the rapidly developing provinces of Alberta, Saskatchewan, and the others to eastward as well as British Columbia." Another feature of the situation, he continues, "is that the Canadian timber is not so extensive as might be supposed. I feel certain that the forests on the American side will last as long as or longer than those to northward. Vast areas in the provinces which would be supposed to bear rich harvests of timber have scarcely a stick, and the Canadian timber is practically difficult to market. In the mountain regions it is difficult to get at and still harder to get out, while navigation with a raft of logs along the coast is most perilous. Some of the roughest coast on the American continent is to be found between the Washington line and that of Alaska."

So we have our lumbermen contending in one breath that Canadian competition would disastrously affect them, and in the next demonstrating that there is no danger of such competition on account of the limited extent of the Canadian forests and the high cost of production.

The California market.

Much is made by the north coast lumbermen of British Columbia competition in the California market if the duty on lumber is removed. They argue that freight rates will be much cheaper between British Columbia points and Canada than between Washington and Oregon points and California coast. The former will be able to use vessels flying other than the American flag, whereas the latter will be restricted to the use of American vessels, the latter having, of course, a

Digitized by Google

monopoly of the domestic coasting trade and being more expensive of operation than foreign vessels.

There may be something in this, but whatever advantage British Columbia lumbermen may have in cheaper cargo rates to California points is offset by the greater cost of production in British Columbia. It is noteworthy that even though stumpage averages less in British Columbia than in Washington and Oregon, logs command approximately the same prices at Vancouver and Puget Sound points. (See appended statements.)

Yet rates on cargoes under foreign flags can not be very much lower than on the domestic coast trade, else British Columbia should, if the theory of our friends is correct, be able to export a great deal of lumber to the California points at the present time, whereas it exported nothing to those points in 1907 against 1,114,000,000 feet shipped there from Washington and Oregon in the same year. Even the tremendous demand for timber occasioned by the San Francisco earthquake and fire only drew 797,868 feet of lumber from British Columbia in 1906, while in the same year Washington and Oregon sent to California 1,079,000,000 feet of lumber.

During the whole period that the Wilson tariff law was in effect, with lumber on the free list, British Columbia exported to California only 14,000,000 feet of lumber as compared with 1,058,519,453 feet sent from Oregon and Washington.

Apropos, in an editorial opposing the repeal of the lumber tariff the San Francisco Chronicle (November 23, 1908) says:

> The rate of duty on sawed but otherwise unmanufactured lumber is $2 per thousand feet board measure, which on this coast, and under ordinary conditions, is prohibitive. The lumber from the forests of British Columbia costs as much or nearly as much at tide water as lumber from our own forests, and only by a sacrifice of most or all of the profits can Canadian lumber be sold in American ports on the Pacific after paying that duty. It is not attempted. Canadian lumber seeks other markets where there is less local competition.

Concentration of forest ownership.

In my statement before the committee on November 20 I said that it was estimated that three great interests controlled one-third of the standing timber of the United States. I find upon further investigation that as far as can be determined in a field where accurate statistics are so lacking, I would have been more nearly right had I said one-fifth was owned by three great interests. I also find, as Mr. Dwinnell shows most interestingly and conclusively in his paper, that a very few great interests now own about 50 per cent of the commercial coniferous standing timber of the United States. These estimates have reference to the standing timber measured by board feet, not to acreage areas. The great buyers of timber understand their business and invariably get possession of the forest lands carrying the maximum amount of timber per acre. It is absurd to attempt, as one witness did, to determine timber holdings on an acreage basis, and his calculation that the three interests referred to own less than one-half of 1 per cent of all the standing timber is much further from the fact than my statement. No one will deny that the tendency is more and more to concentrate the holdings of valuable commercial timber in the hands of extensive owners.

In conclusion, I would say that I believe that a majority of the American people to-day are unqualifiedly in favor of the repeal of

Digitized by Google

the tariff on forest products, and that to grant their wish is to serve the highest national interests, in that it will relieve our people of an unnecessary burden of taxation, open to them wider sources of supply for a commodity of almost universal use, tend to prolong the life of our standing forests, and pave the way for a new era of scientific lumbering and forest conservation.

Respectfully submitted.

THEODORE M. KNAPPEN,
Secretary of the National Forest Conservation League.

BRIEF OF W. S. DWINNELL, OF MINNEAPOLIS, MINN., SUBMITTED FOR NATIONAL FOREST CONSERVATION LEAGUE.

MINNEAPOLIS, MINN.,
Thursday, December 1, 1908.

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The writer hereof has for many years been the owner of timber in various parts of the United States, particularly in the States of California, Oregon, in the Canadian Northwest, and in the province of British Columbia, has been largely interested in logging in the State of Oregon, and is now operating a hard-wood plant in the State of Kentucky. For the last ten years he has made an average of three trips per year to the Pacific coast, covering the territory mentioned above, and during all of that time has been a careful observer and investigator of the conditions surrounding the lumber business and the holding of timber in that section. He has during all that time resided in the city of Minneapolis, which up to recently has been the largest lumber manufacturing center in the world, and by reason thereof has become familiar with the industry in that city, and has also had ample opportunity of observing the decadence of the lumber industry in both Wisconsin and Minnesota.

THE GREATNESS OF THE QUESTION INVOLVED.

No schedule will be presented to the Ways and Means Committee which will be freighted with the tremendous importance of the one under consideration. Tariff schedules as a rule involve only the temporary success or failure of an industry. But the adjustment of the schedule on wood products does more than involve the welfare of an industry; it pertains to the great future of the American people. No argument need be adduced to show the rapid decadence of the forests of the United States and the effect thereof. The student of history knows well how greatly has the destruction of forests conduced to the decadence of the ancient nations. The question is, Will the present Congress prove itself big enough to look into the great future? It is not only a question of altruism, but it is one of outright patriotism.

What has already been done in the destruction of our forests was eloquently portrayed by Senator Dolliver when he said:

> There has never been in the history of human society as completely organized a crime against the human race as the destruction of the American forests in Pennsylvania, in New York, in Michigan, in Wisconsin, in Minnesota; and to make the crime all the more ignoble, it was based upon greed and avarice and the love of money,

Digitized by Google

which we are taught is the root of all evil. So it has proved in that vast public domain. It was despoiled by the spoilers who violated the land laws of the United States, and the witnesses still stand there in the burned trunks of great trees, in this pathetic tangled mass of burned logs and vegetable matter scattered over square miles of territory that, if it had been administered with wisdom and patriotism, might to-day be the permanent source of a lumber supply to us and to our children's children.

The statement that the destruction of our forests results in the flooding of our rivers, the great erosion of our soil and the consequent deposit of silt in our rivers, making them unnavigable, and that it affects the regularity of rainfall, is so axiomatic as to be almost unnecessary of demonstration. The observation of the veriest tyro shows this to be true, and yet certain witnesses have appeared before this committee and have attempted to argue that such was not the case.

This is, therefore, a question much broader than the mere effect it may have upon the lumber industry. We propose, however, to discuss it from that standpoint alone, and to present such facts and statements as will show beyond peradventure that the lumber and timber holding industry will continue to be one of the most profitable industries in the United States, nothwithstanding the entire removal of the tariff.

COMPARATIVE COST OF THE PRODUCTION OF LUMBER.

Detailed statements of the cost of labor will be submitted in the brief of the secretary of this league, showing the same to be much higher in all that part of Canada west of Lake Superior than it is on this side of the line. The cost of labor in the Province of Ontario, which includes the Georgian Bay, Ottawa River, and Rainy River countries (the three great lumber-producing districts of that province), do not vary from that in Wisconsin, Michigan, Minnesota, and Pennsylvania. The cost of labor in Quebec and the maritime provinces is slightly less than that in the State of Maine. It is well known that in that section there is a constant migration of labor; that the industrial population of New England is made up quite largely from the eastern provinces of Canada, and any material variation in the price of labor between Canada and the United States is speedily equalized by a migration of industrial population. It is true that in a very few mills in Vancouver and Victoria oriental labor is employed. This same thing is true in several mills in Washington, particularly those engaged in the shingle industry. This oriental labor is not economical, but is resorted to because no other common labor is at hand. Not over four weeks ago Mr. A. McLaren, formerly one of the largest lumber operators on the Ottawa River and now owner of one of the largest mills in Vancouver (the North Pacific Lumber Company), told the writer that his experience showed oriental labor to be much more expensive than white, but that it was employed by him for the reasons above stated. The argument against oriental labor, however, has no more force than would an argument against the cheap wages paid the colored labor of the South. I do not know of an operator in southern pine but what would gladly exchange his cheap colored labor for higher-priced white labor. The same condition is true on the Pacific coast.

The other item of cost in the manufacture of lumber is the cost of the plant. The writer hereof is in a position to know the difference

Digitized by Google

in cost. He recently secured figures for the duplication of a plant now being operated at Everett, Wash., and which cost $35,000, the same to be built just north of the line in British Columbia, and this $35,000 mill when built in British Columbia was estimated to cost $50,000. The Canadian import duty on machinery is from 20 per cent to 30 per cent. This includes not only sawmill machinery but all logging machinery and equipment, which is expensive and used almost exclusively in logging operations on the coast. Certain logging machinery and many mill supplies, logging engines, and equipment are manufactured in Canada, but are sold at a price just under the cost of American machinery plus the duty and the freight. Construction labor in British Columbia is much more expensive and less efficient than on this side, so that a statement that the cost of mills in Canada is 25 per cent greater than on this side of the line is well within the truth. If, then, the two principal items which go to make up the cost of the manufacture of lumber are equal, if not greater, in Canada than in the United States, how can it be said that a tariff is necessary to protect either labor or the manufacturer? The real party who is seeking protection, "the nigger in the wood pile," has already been discovered by certain members of this committee. He is the stumpage holder, the man who, taking advantage of the generosity of our Government, has by the aid of the homestead law, the timber and stone act, the lieu land scrip act, and by purchase from generously endowed railroads, been able to secure possession of a vast amount of the forested domain at a cost to him of from $2.50 to $5 per acre, which land he has by process of arbitrarily advancing values, marked up from time to time, until he is now carrying it at from $30 to $60 per acre.

Who are some of these people? And if it can be shown that their profits have been beyond the dreams of human avarice, should this not be taken into consideration in determining the necessity of a protective schedule? The list is too great for enumeration; I would mention only a few.

SOME LARGE TIMBER OWNERS.

Weyerhaeuser interests.—The Weyerhaeuser Timber Company is the greatest of all the numerous Weyerhaeuser interests. It is commonly reported that the Weyerhaeusers (father and sons) direct and control the affairs of 40 different lumber corporations, but of all these the Weyerhaeuser Timber Company is the greatest. The information which I would give regarding this company came to me not over two weeks ago from a person intimately associated with a stockholder of the company. About the year 1900 the Weyerhaeuser Timber Company purchased from the Northern Pacific Railway 1,000,000 acres of timber land, principally within the State of Washington, and estimated to contain 40,000,000,000 feet of timber. The price paid therefor was either $6 or $6.50 per acre, or approximately 15 cents per thousand. Since that time the holdings of this company have been increased so that it now owns 70,000,000,000 feet of timber, mostly in the State of Washington; some, however, being located in Oregon and California. During the last year scattering pieces of stumpage were sold by the company at a minimum price of $3 per thousand, and it is impossible to make purchases of the company of any con-

Digitized by Google

siderable bodies of timber. Mr. Weyerhaeuser makes a standing offer of $800 per share for any stock of this company. None is on the market, but little is sold, and the real market value thereof can not be ascertained, except from the facts given above. This company is capitalized at $15,000,000. The Weyerhaeusers are interested in the Potlatch Lumber Company, the Humbird Lumber Company, the Bonners Ferry Lumber Company, and other companies in the State of Idaho, which practically control the white-pine stumpage of that district. Their plans in Minnesota are shown by the following dispatch from Chicago, sent six days after the appearance before this committee of Messrs. Hines and McCormick as representatives of the Weyerhaeuser interests. It is as follows:

CHICAGO, *November 26.*

One of the most important lumber deals of recent years, by which a $20,000,000 syndicate will take control of the pine forests of northern Minnesota, is near completion.

Representatives of the three big interests involved—the Weyerhaeuser Company of Cloquet, Minn., the Cook & O'Brien Company of Duluth, and the Edward Hines Lumber Company of Chicago—met late yesterday at the Union League Club to discuss the plan by which the Hines Company, either in itself or operating through a syndicate, is to take control of the properties.

Edward Hines to-day said the plan was not in such shape that he could give out the details, but admitted that it would be put through within a day or two, and that nothing but minor matters were left to be settled.

Big interests to be pooled. Besides Mr. Hines, at the meeting were Frederick Weyerhaeuser and his sons, John and Rudolph, and a member of the firm of Cooke & O'Brien.

The interests to be pooled are: Lumber in Minnesota and the Province of Ontario controlled by the Weyerhaeuser people, valued at $8,000,000; lumber in Minnesota controlled by the Cooke & O'Brien people, valued at $11,000,000; the Rainy Lake, Duluth and Winnipeg Railroad, controlled by Cooke & O'Brien, 200 miles long and worth $1,000,000; between $1,000,000 and $2,000,000 worth of lumber controlled by the Hines people.

World's biggest white-pine tract. This constitutes 3,000,000 feet of lumber in white pine, Norway pine, and hemlock. It comprises the biggest tract of white pine left in the world. The timber lies in St. Louis County, the country to the east, and in Ontario. The object of the combine is said to be to obtain control of the transportation facilities, so that the lumber can be handled cheaper for all concerned.

Just how the reorganization is to be brought about was not divulged. The Weyerhaeuser Company owns 45 per cent of the stock of the Hines Company.

Later reports show that the proposed consolidation includes only the Weyerhaeuser interests at Cloquet; that the great mills at Little Falls, Minneapolis, Chippewa Falls, and other points in Wisconsin are not included in this white-pine combination. In this connection it is interesting to observe that the village of Cloquet has, under the Weyerhaeuser dominion, surpassed Minneapolis, and two years ago was reported to be the largest lumber-manufacturing center in the world, the Weyerhaeusers owning every property in this village.

In addition to their interests on the Pacific and in the white-pine district of the north, the Weyerhaeusers have become largely interested in southern pine.

Mr. T. B. Walker, who appeared in person before this committee, has long been known as one of the largest, if not the largest, holder of white pine in the State of Minnesota. At an early date his foresightedness led him to acquire great bodies of the choicest timber in northern Minnesota, at a very nominal consideration. Much of this timber has been held by him until it has brought $10 per thousand on the stump. Some nine years ago, fully appreciating the decadence of the pine forests of the north, he turned his attention to California, and his foresight again led him

Digitized by Google

to the acquisition of large tracts of sugar and yellow pine, purchased at a comparatively nominal consideration. Mr. Walker has reported his interests in California to be from 500,000 to 650,000 acres, with an estimated minimum stumpage of 30,000 per acre. It will thus be seen that he owns of the pine of California from 15 to 20 billion feet.

South of the Walker interests in California come the great holdings of the Diamond Match Company, whose headquarters are at Chico. Immediately adjoining the Walker holdings and to the west and north thereof, come the great holdings of the McLeod River Lumber Company and its allied interests, estimated to contain not less than 5 billion feet of pine.

On the coast in California are the great holdings of redwood, principal among which are the holdings of the Owen syndicate and the Smith and Hammond interests, the three estimated to be not less than 20 billion feet.

In California and Oregon in the pine, the redwood, and the fir will be found the C. A. Smith holdings, the estimates of a part only having been made public, but in the lumber world generally understood to be of gigantic proportions.

Farther north in the State of Oregon are found the great holdings of the Booth-Kelly Company, at Eugene; and still farther on the interests of the Blodgett or Michigan syndicate. Passing over into the State of Washington, in addition to the Weyerhauser interests, are the great holdings recently acquired along the line of the new Milwaukee and St. Paul road, commonly supposed to be held by Standard Oil interests. Still farther north and adjacent to Tacoma are the Griggs & Foster and the Henry Hewitt interests. North of Seattle are the holdings of Merrill & Ring and Thomas Irvine. On the east slope of the Cascade Mountains in Oregon, and all through northern Minnesota, are found the great holdings of the various Shevlin corporations.

It will be found upon investigation that the yellow pine of the South is quite largely concentrated. In addition to the holdings of the Weyerhauser interest are those of the Kirby Lumber Company, of J. D. Lacy & Co., and of the Goodyear, Joyce, and R. A. Long companies, each of them vast empires in themselves.

In addition to the above there are many large holders controlling from 1 to 2 billion feet, who are not enumerated. When it is stated, however, that a careful computation of the holdings of the interests especially enumerated equal 50 per cent of the total available coniferous merchantable timber of the United States, food for reflection as to whether a tariff is necessary for their protection is furnished.

An attempt has been made to create the impression before this committee that a vast number of people are engaged in the manufacture of lumber.. The fact is that the lumber industry of the United States is to-day almost entirely in the hands of large manufacturers. In North Carolina, where the pine is of an indifferent nature, and in some of the cut-over districts of Wisconsin and Michigan, where the only lumber industry remaining is the manufacture of hemlock and hard wood, there may be found quite a large number of small mills, but outside of these districts the industry generally is carried on by mills manufacturing from 100,000 feet per day upward.

Digitized by Google

ADVANCE IN PRICE OF STUMPAGE.

The average advance in the price of stumpage is shown by a carefully compiled statement in Bulletin 77, issued by the Department of Agriculture. It is as follows:

Kind.	Average value per M feet.		
	1899.	1904.	1907.
White pine	$3.66	$4.62	$8.09
Ash	3.03	3.95	7.58
Basswood	1.50	3.89	6.79
Hickory			6.69
Oak	3.18	3.83	6.52
Spruce	2.26	3.70	5.49
Chestnut	2.71	3.39	4.97
Elm	3.30	5.58	4.94
Poplar	2.81	3.89	4.64
Cedar	1.32	1.49	4.63
Hemlock	2.56	3.51	4.51
Birch			4.40
Cypress	1.58	3.42	4.37
Cottonwood	1.45	2.61	3.27
Beech			3.56
Yellow pine	1.12	1.68	3.16
Maple	2.66	3.82	2.50
Red gum	1.68	1.67	2.46
Redwood	1.06	1.55	2.35
Western pine			1.66
Douglas fir	.77	1.05	1.66
Tupelo			1.27

The above table is made up by sending out a large number of inquiries and is supposed to represent the average increase in value. The increase of the more favorably located timber, however, has been much greater than that indicated in the table. Let me cite some advances of which I have actual knowledge. In 1897 I could have purchased long-leaf yellow pine in the State of Louisiana for $5 per acre, which is now held by the owner at $60 per acre, and adjoining tracts of which have sold at this price. In 1902 I was offered 25,000 acres of sugar and yellow pine in California at $5 per acre. Pieces similarly located are now being sold at $2 per thousand, or approximately $40 per acre. In 1902, on June 27, I purchased timber in Oregon at 40 cents per thousand, and in 1907 this timber sold at $3 per thousand. In 1897 the Shevlin interests purchased 800,000,000 feet of pine in Minnesota at $1 a thousand. If this timber were standing to-day it would sell for $10 per thousand. Reference has already been made to the advance in purchases by the Weyerhauser Timber Company. It would thus seem clear that protection was not necessary in order to preserve the profit of the timber owner; and when driven into a corner they reply that protection is necessary in order to produce high-priced lumber and thus conserve our forests by the more thorough clearing of the same.

EFFECT OF TARIFF ON CONSERVATION.

We have never heard of a more specious argument than the one above mentioned. In the first place, if lumber made out of the tops and limbs of trees is shipped in from Canada and a corresponding

Digitized by Google

amount of tops and limbs are left lying in the woods in the United States, it is at once manifest that the forests of the United States are not affected one way or the other. In other words, whatever timber of Canadian production is used in this country will take the place of that wasted. But the statement is not true that the importation into this country of cheap lumber will affect the cutting of our forests, for the following reasons: The only lumber which can be exported into the United States from the great forests of the Canadian west is high-priced lumber. Cheap lumber, such as Nos. 4 and 5 boards and cull stuff, can no more be shipped to the United States than can it be shipped from the Washington, Oregon, and California mills to the markets of the Mississippi Valley. The freight is the same on a board whether it is of high quality or low, and on a cheap board, selling at $5 or $6 at the mill, the freight of from $10 to $12 per thousand becomes such an important item that it can not compete with the cheaper hemlock and like material produced in the forests nearer at hand.

From the Georgian Bay country there may be and probably is some shipments of low-grade lumber, but to my certain knowledge the bulk of the importations from Georgian Bay mills is of high-grade pine. Moreover, the timber in the Georgian Bay country is of limited extent and the life of the mills there of limited duration. Long before another tariff bill is adopted in this country will the Georgian Bay mills have ceased to produce any lumber, and this bill should be framed very largely with eyes turned toward the West, which must be the source of our lumber supply of the future. If it is believed that the argument that a tariff is necessary to forest conservation is advanced in good faith, let this committee offer to those lumbermen advancing it a specific duty on Nos. 4 and 5 boards and cull lumber and see whether or not the same is satisfactory.

The waste so often referred to is that of the mills, there often being no market for the slabs, shavings, sawdust, and lath, and in the fir mills of the coast to the uninitiated the greatest waste comes from what appears to be the sacrifice of good lumber, which in point of fact is so filled with pitch as to be unusable for any known merchantable purposes. As the country settles and centers of population become established, the industry in the West will undergo the same changes it has in the Mississippi Valley. In the city of Minneapolis twenty years ago the above by-products were almost entirely wasted; to-day they are one of the chief sources of profit. A tariff, or a greater or less importation of outside lumber, will in no way affect these conditions.

All of the lumbermen appearing before this committee in advocacy of the removal of the tariff were large holders of American timber, and some of them among our largest manufacturers. It was stated by them that their investments in the United States exceeded many times over their investments in Canada. They advocated a removal of the tariff, believing that it would not affect the industry in the United States or the price of stumpage, but that it would have an appreciable effect upon their Canadian holdings. That their conclusion was correctly formed is shown by the statement contained in a paper read before the Washington Lumber Manufacturers' Association in 1905 by Mr. W. I. Ewart, one of the best posted tim-

Digitized by Google

ber men of the United States, and who for many years represented the Weyerhaeuser timber interests on the Pacific coast. He said:

I have already occupied too much time to admit of any lengthy consideration of the tariff question, and fortunately the average citizen is already sufficiently informed on this subject to make it undesirable to tender any gratuitous enlightenment, for one of the inalienable rights of every American citizen lies in the conscious possession of a clear and conclusive understanding of the intricacies of the protective tariff and its arch enemy free trade. I shall, therefore, tread softly.

In the very near future I am inclined to think our duty on lumber will be materially modified, if not entirely removed. The result will be an advance in value of Canadian stumpage, rather than a decline in the American lumber market. The effect on timber values in the United States will be insignificant. I shall not stop to submit arguments in support of these conclusions, but will simply state that in my opinion they are susceptible of demonstration.

At this same meeting a paper was read by Mr. W. I. Stewart, a lumberman of large experience both in the Mississippi Valley and in the West, and as this is a statement candidly made before a lumbermen's association—in fact, before the very association which is the most ardent objector to a removal of the tariff—I quote from it at considerable length, believing the facts stated therein are much more reliable and would be a much safer guide to this committee than testimony given before it for a specific purpose. Mr. Stewart's address was in part as follows:

Thirty years ago white-pine stumpage in Wisconsin and Minnesota had exactly the same value as the timber of Washington and Oregon commands to-day. In 1875 the maximum price was $1.50 per thousand feet for choice white pine accessible to drivable tributaries of the Mississippi. Tracts remote from driving streams and those of inferior quality were practically without market value, the average price in most cases being equivalent to not over 50 cents per thousand, the range of value being from this figure to the maximum of $1.50. Along about 1880 a marked advance took place in the lumber markets, and in consequence stumpage values increased materially; in the early nineties the result of the financial panic was seriously felt in the lumber markets, but standing timber was unaffected; in fact, stumpage values have at intervals come to a standstill temporarily, but the tendency has been steadily upward, and no advance has ever been lost. There has been no retrogression except on the manufactured product. This has been uniformly and invariably true; depressions in the lumber market have at times lessened transactions in timber lands, but no decline from fixed valuations has ever been recorded. Mr. F. Weyerhaeuser once remarked to me that the only times he ever lost money on timber lands were the times when he did not buy. From 1875 white-pine stumpage steadily increased in value until the present basis of five to twelve dollars was reached, the average to-day being not less than $8, and exceptional transactions could be cited at almost double this figure. When we consider that a large percentage of undersized and inferior timber is now taken into the estimates which previously was excluded, it is safe to say that to-day's figures represent at least ten times the value current in 1875—in other words, white-pine stumpage has made an average increase of 100 per cent for every three years during the past thirty years.

SOUTHERN YELLOW PINE.

With the diminishing supply of white pine the forests of the South began to receive attention, and with crude methods of manufacture the southern mills began about 1880 to make shipments northward to St. Louis, Chicago, and the Missouri Valley, consisting at the first almost entirely of specialties, such as long timbers, car sills, deep joists, etc., but in proportion as white pine diminished in supply and increased in value yellow pine pushed farther northward until everything east of the Rocky Mountains has come to be considered the rightful and exclusive domain of the southern manufacturer, and efforts to introduce a few samples of Pacific coast fir in that territory seemed to be regarded as an unwarranted intrusion which is not to be tolerated. I shall not pursue this point for fear that I might infringe upon the copyright privileges of your secretary.

Digitized by Google

Twenty years ago timber lands were worth from $1.25 to $5 per acre; to-day these lands bring $10 to $30 per acre. Yellow-pine stumpage which in 1885 was worth not over 50 cents per thousand is to-day (1905) held at $2 to $4 per thousand, the average value being probably $3. As yellow pine is destined to be the principal competitor of our Pacific coast woods in all markets east of the Rockies, it will be of interest to know that the total stand of this wood in the Southern States is estimated at about 300 billion feet, or 25 per cent less than the amount of timber standing in the States of Washington and Oregon.

The latest government estimates for Washington aggregate 193 billion feet, and for Oregon 213 billion feet. I have not seen the government estimate for California, but other authorities credit this State with something over 200 billion feet. The three States bordering on the Pacific may therefore be said to contain 600 billion feet of merchantable standing timber, or double the amount of yellow pine that is credited to the Southern States in similar estimates, all of which are, of course, simple approximations, as there is no practical method of getting at exact figures, owing to the enormous expense which an actual cruise of all the timbered areas would involve.

Idaho and Montana will probably yield 100 billion feet, making a full total of 700 billion feet for the Pacific Coast States; and if we add 100 billion feet for British Columbia and Alberta, which is probably above the actual, we have a grand aggregate of 850 billion feet, worth at $1 per thousand feet, the enormous sum of $800,000,000, almost enough to placate the Emperor of Japan.

RATE OF CONSUMPTION.

The annual consumption of lumber in the United States is steadily increasing, and is variously estimated (including hard woods) at from 600 to 750 feet per capita, making on our population of 80,000,000, say 50,000,000 feet per year—a rate which would exhaust the estimated yellow-pine stand of the Southern States in six years and the entire Pacific coast, including British Columbia, in fifteen years thereafter, if there were no other sources of supply; and there are none of very extensive proportions. A recent estimate of the remaining pine in Minnesota and Wisconsin places this at only 40 billion feet—equivalent to about one-fifth of the timber now standing in the State of Washington.

Having taken a general survey of the outlying field with which we are concerned in the consideration of future stumpage values on the Pacific coast, we are now prepared to take up those questions which are involved more directly and immediately in this subject. We have seen that the constant tendency of stumpage values elsewhere has been upward, and it is inevitable that history will quickly repeat itself on the Pacific coast. With the approaching exhaustion of the white-pine belt and the rapid enhancement of values in the South as a result of the constantly increasing demand upon that source of supply, the nominal values now prevalent here must increase many times over until ultimately the product of these magnificent forests, which surpass all others in both quantity and quality of their yield, shall command as high a price per thousand feet as that which has prevailed for eastern white pine, and from which so many vast fortunes have been realized. As the Pacific coast forests yield four times as much per acre as the pine lands of the East, the result of such increase will be to establish acreage valuations never before equaled, and the western owners will be correspondingly enriched.

A very striking example of how the Canadian forests would share with our own the current demands is shown by the proposed operation of the two Shevlin mills on Rainy River, one on the north bank of the river in Ontario and the other on the south bank of the river in Minnesota. These mills each have a capacity of about 60,000,000 feet, and were built approximately at the same time, with the expectation of both being operated to the same extent. The Shevlin holdings tributary to these two mills are about 900,000,000 feet in Minnesota and an equal amount in Ontario, but instead of cutting an equal amount in each mill, during the coming year it is proposed to operate the Minnesota mill to its full capacity, while the Ontario mill will cut only 6,000,000 feet, or about one-tenth of its capacity.

Digitized by Google

EFFECT OF A REMOVAL OF THE TARIFF ON THE PRICE OF LUMBER.

A statement has already been given showing the increase in stumpage values. The following statement from Bulletin 77 shows the advance in the price of lumber:

Yellow pine advanced from $8.48 per thousand in 1899 to $15.02 in 1906, 77 per cent. Cedar rose from $10.91 to $18.12, 66 per cent; cypress, from $13.32 to $21.94, and redwood from $10.12 to $16.64, 64 per cent in each case. Douglas fir increased from $8.67 to $14.20, 63 per cent, and poplar from $14.03 to $24.21, or 73 per cent. Notable increases are also shown by hickory, oak, spruce, western pine, hemlock, and ash.

It is claimed by lumbermen that the advance in the price of lumber at the mill is made up almost entirely from the advance in the cost of labor. Figures will be furnished showing that while there has been a moderate increase in the price of labor, yet it is only 10 per cent since the year 1900, and small compared with the advance in the cost of lumber. It is a fact that the cost of lumber is looked upon now as excessively high. No longer ago than last week I paid $50 per thousand for white-pine boards sawed in this city, and in times of great commercial activity even the most common grades of lumber go "out of sight," as it were. The effect of a removal of the tariff will be to steady the market and to materially reduce the price when such prices are excessive. This has already been elaborated in the verbal testimony heretofore given.

COST OF CANADIAN STUMPAGE AS COMPARED WITH THAT OF THE UNITED STATES.

An attempt has been made to create the impression that Canadian stumpage costs the holder thereof nothing, and that it would therefore be a marked injustice to put that in competition with our own stumpage. Reference has already been made to some of the avenues through which the American lumbermen have acquired their cheap stumpage, and I state, without fear of contradiction, that the cost of Canadian stumpage in the hands of the original holder is much greater than has been the cost of the United States stumpage. At an early day in Canada large grants of timber were made for a very small consideration. Timber so held, with the exception of some remaining in the Province of Quebec, has been quite largely cut off. The same was true of timber in the United States. Note the vast grants to railroad companies. But the later day Canadian timber has been disposed of at a price much in excess of the price of stumpage on this side of the line. It has been the policy of the Dominion government in the last twenty years to reserve a royalty of 50 cents a thousand on all timber disposed of by it. In addition to this, the timber is put up for tender and is awarded to the person bidding the highest price as a bonus. At an average stumpage of 15,000 per acre, it will be seen that the timber has cost the original holder at least $7.50 by way of royalties and whatever bonus was paid therefor. Contrast this with the original entries of timber made in this country. But most of the timber in Canada in competition with that of the United States was by the Dominion government dedicated to the Provinces, and their policy has been such that it has been practically impossible to acquire cheap stumpage. It has been the policy of the Province of Ontario for many years to dispose of its

Digitized by Google

timber to the highest bidder—very often at an upset price much in excess of anything ever obtained for government timber in the United States.

In the month of August I visited a mill at Kewatin, on Lake of the Woods, in the Province of Ontario, which was operating upon logs upon which the royalty to the provincial government was from $6 to $7.50 per thousand, and so has it been for many years; the price paid the government for stumpage being advanced to conform to the actual increase in value.

In the Province of British Columbia all of the timber, with the exception of a strip 20 miles wide on either side of the Canadian Pacific Railway, was transferred by the Dominion to the province upon its creation. In early days a few crown grants of timber were made—that is, timber upon which the fee to the land passed to the owner and upon which no royalties were reserved—but practically all of the timber of the province is held under a title called a "special license," which is good only from year to year, upon which the Crown reserves a royalty of 50 cents per thousand and upon which annual dues in amount of $140 per mile for that district west of the Cascade Mountains and $115 for that district east of the Cascade Mountains are imposed. These licenses are made renewable by statute for the period of twenty-one years only. They are subject to such increase in both the annual dues and the royalties as the government may see fit to impose from time to time, and only one year ago it was proposed by the government to advance the dues 25 cents per thousand. It will thus be seen that the original acquirer of timber from the government is not in better position than are his confrères on this side of the line, and as these licenses are transferred from time to time at a consideration running as high as $10 per acre, it will be seen that the stumpage of the United States will not be in competition with cheap and worthless stumpage in Canada.

A statement was made by Mr. Edward Hines to this committee which, while it may have been true as to the particular case in hand, was so misleading in its general effect that specific reference must be made thereto. It was stated that 500,000,000 feet of timber in the State of Wisconsin cost his company $90,000 a year to carry, while the same amount of timber in Canada cost but $300 per year. The 500,000,000 feet of timber in Wisconsin was doubtless worth $10 per thousand, or $5,000,000, and a tax of $90,000 upon this timber would be at the rate of only $0.018 on the dollar, not an excessive taxation. The carrying charge referred to in Canada was doubtless annual dues of $5 per mile, which is the charge upon certain timber licenses issued by the Dominion. This is only a nominal charge, made for the purpose of ostensibly defraying the expenses of the dominion government in caring for its timber. All such timber is subject to taxation, and when the country in which it is located is opened up, local improvements are instituted, schools established, roads built, etc., then the carrying charge on the Canadian stumpage will not vary materially from that of any stumpage in the State of Wisconsin. In other words, the $5 per square mile dominion annual dues is tantamount to our state tax as distinguished from our county, township, and school tax.

But this applies to only a comparatively small part of the timber of the Dominion. We have already stated what the charge is in

Digitized by Google

British Columbia, viz, $115 to $140 per mile, depending upon location, and, for the purpose of comparing generally the cost of carrying timber, I desire to make a part of this brief certain letters written to me which were incorporated in an argument submitted to the government of the Province of British Columbia for the purpose of convincing them of the excessiveness of their annual dues. These letters are as follows:

BROOKS-SCANLON LUMBER COMPANY.

In reply to your recent inquiry, wanting to know how the annual dues we pay on provincial timber limits in British Columbia compare with the taxes we pay on our timber lands in other localities, beg leave to advise that our annual dues in British Columbia are most excessive as compared with other localities in which we are interested in timber. One of our subsidiary companies owns 110,000 acres of timber land in Florida, another 90,000 acres of timber land in Louisiana, another 36,000 acres of timber land in Oregon, and another 3,000,000 acres (of which about 2,000,000 are timber), in the Bahama Islands. The following is a statement of taxes we pay per acre and per thousand in each locality, to wit:

Taxes per acre in Florida, $0.029; Louisiana, $0.101; Oregon, $0.089; Bahamas, none; British Columbia, $0.219.

Taxes per thousand in Florida, $0.005; Louisiana, $0.006; Oregon, $0.004; Bahamas, none; British Columbia, $0.0155.

A careful examination of above figures will show how unreasonable the annual dues in British Columbia are as compared with other localities.

Our British Columbia timber is all located in what is known as the "Coast district," and the average stand of timber in that territory is conceded to be about 9,000,000 per square mile, and our cost per thousand or per annum is based on that estimate. Our cost per thousand feet on the other timber is based on actual estimates and on the amount of taxes paid annually. In Florida, Louisiana, and Oregon we own the fee to the land as well as the timber and pay no royalty on the timber when it is cut and removed. As fast as the timber is cut and removed, the taxes on the cut-over lands are reduced very materially. The land in many cases is valuable for agricultural purposes when the timber is removed. We also own the coal, oil, and mineral rights of every nature in these States and are inclined to think in certain localities they are very valuable.

In this country our taxes are used so far as are necessary for the building of roads, construction of bridges, maintenance of schools, etc. The building of roads makes our timber more accessible and cheapens the cost of logging quite materially. The fact that schools are maintained in the neighborhood enables us to secure the best of labor.

As we understand it, the British Columbia taxes are used to defray the general expenses of the government, and it frequently happens that the owner of timber licenses or leases derives but little benefit from the annual taxes paid.

Yours, truly,

M. J. SCANLON.

S. H. BOWMAN LUMBER COMPANY.

Regarding your inquiry as to taxes on lands belonging to the Bowman-Hicks Lumber Company in the State of Louisiana, would say that we own two large tracts of timber in this State, taxes upon which for the year 1905 averaged $108.83 per square mile; the year 1906 they averaged $97.97 per square mile; for the year 1907 they were $119.07 per square mile, or an average for the three years of $108 29 per square mile. Taxes upon this land were mostly local taxes—that is, for the building of highways, support of schools, of town and county organizations, etc. Very little of the tax was state tax.

The average estimate of the timber in our entire holdings is 17,000 feet per acre, which is valued by us, and which could probably be sold for, $60 per acre. Much timber similarly located and of the same quality has changed hands at this price. Upon this basis the average tax per thousand for the last three years has been $0.01, or $0.0028 of the value of the timber.

When we contrast this with our timber in British Columbia you will see what a vast difference there is. There we pay $115 per square mile for timber which will not average over 4,000,000 to the mile, and which is not worth to exceed 50 cents per thousand. The annual dues which we pay in British Columbia are used exclusively

Digitized by Google

for the support of the general government and do not enhance the value of our property as they would if used for the construction of roads opening up our timber, for the establishment of schools, and for the maintenance of local governmental organizations. From the above it will be seen that the annual dues in British Columbia amount to $0.029 per thousand feet per year, or $0.057 of the fair value of the timber.

The timber of Louisiana is accessible to one of the best lumber markets in the world, and until the hard times of a year ago the manufacture in that locality was exceedingly profitable, quite in contrast to the business which we have been carrying on in British Columbia.

Very truly, yours, S. H. BOWMAN, *President.*

ROGERS LUMBER COMPANY.

In compliance with your request it gives me great pleasure to give you herewith a table showing what it costs us to carry our timber lands in British Columbia as compared with our timber lands in the United States.

The lands we own in British Columbia are those tributary to Enderby, and the figures taken are, in the case of British Columbia, from the annual rental, and in the case of Crook County, Oreg., the taxes for the year 1907, and in the case of Bonner and Kootenai counties, Idaho, the taxes for the year 1906. These figures are taken from the records and are absolute.

Ten thousand and eighty acres of land in Crook County, Oreg., taxes $823.82, or an average of $8.17 per acre, land and timber.

Six hundred and forty acres of land in British Columbia, $115 tax, or an average of $17.9 per acre for the timber only, or $9.73 per acre more in British Columbia than in the United States, or over twice the annual tax per acre in the United States.

Taking the actual estimate of timber on the above lands the Crook County timber costs $0.00817 per thousand per annum and the British Columbia timber $0.0257, or 1¾ cents per thousand per annum more to carry the British Columbia timber (timber only) than to carry the Crook County, Oreg., timber and land.

I give you herewith our cost in Idaho, the counties being Bonner and Kootenai:

Nine thousand one hundred and eighty acres of land in Bonner County, Idaho, taxes $657.87, or an average of $7.01 per acre, land and timber.

Six hundred and forty acres of land in British Columbia, $115 tax, or an average of $17.09 per acre for the timber only, or $10.08 per acre more in British Columbia than in the United States.

Taking the actual estimate of timber on the above lands the Bonner County timber costs $0.0071 per thousand and the British Columbia timber $0.0257, or 1.86 cents per thousand per annum, or three and one-half times more to carry the British Columbia timber (timber only) than to carry the Bonner County, Idaho, timber and land.

Four thousand two hundred and forty acres of land in Kootenai County, Idaho, taxes $314.92, or an average of $7.04 per acre, land and timber.

Six hundred and forty acres of land in British Columbia, $115 tax, or an average of $17.09 per acre for the timber only, or $10.05 per acre more in British Columbia than in the United States.

Taking the actual estimate of timber on the above lands, the Kootenai County timber costs $0.0049 per thousand, and the British Columbia timber $0.0257, or 2.08 cents per thousand per annum, or five times more to carry the British Columbia timber (timber only) than to carry the Kootenai County, Idaho, timber and land.

In Crook County, Oreg., we can carry over 3,000 feet of timber, including the land, to every 1,000 feet of timber only in British Columbia.

In Bonner County, Idaho, we can carry 3,500 feet of timber, including the land, to every 1,000 feet of timber only in British Columbia.

In Kootenai County, Idaho, we can carry 5,000 feet of timber, including the land, to every 1,000 feet of timber only in British Columbia.

In the United States we own the fee, we get the advantage of any increment and any value in the lands and mineral when the timber is cut off, and we pay no royalty for the stumpage when cut. We own everything absolutely.

In the case of Bonner County and Kootenai County, Idaho, we can take the logs from the water and put the lumber into pile for from $1 to $1.50 per 1,000 less than we can do the same work in British Columbia.

We figure that the growth of the timber in the United States will more than pay the interest on the carrying charge, and the history of Minnesota as to the mineral

Digitized by Google

would indicate the possible value of some of the land after the timber has been removed.

In the United States we have an unlimited market for our product, while in Canada our market is very much restricted, as was demonstrated last year, of a very precarious nature.

Yours, truly,

A. R. ROGERS, *President.*

So much for the competition of Canadian stumpage.

TIMBER ENOUGH TO SUPPLY THE UNITED STATES ONLY THIRTY YEARS.

The most careful and the most hopeful estimates which have been made estimate the life of the standing saw timber of the United States to be thirty years. It is estimated that there is enough more in Canada to last fifteen years longer. I ask what the United States will do for its lumber supply after that time, and what will be our status thirty years from now should it be the policy of the Dominion government (as it doubtless would be if our timber were all gone) to place a prohibitive export duty upon lumber or to prohibit its exportation altogether.

Gross ignorance exists as to the time which is required to produce a saw log. In the case of cedar, it requires not less than one hundred and fifty years to produce the average tree of the Pacific coast, while much of the cedar there is from three hundred to five hundred years old. It requires seventy-five years to produce red fir large enough to manufacture, while yellow fir, which is a more mature red fir and from which the higher classes of lumber, such as flooring, is made, is at least one hundred and fifty years old. A white-pine saw log can not be produced in less than seventy-five years, and yellow pine will reforest itself in about fifty years, though the timber at that age will be of smallish size and not of the best quality. No steps have been taken toward reforestation, and it will doubtless be ten years before any general plan will be matured which will look toward the reforesting of any considerable portion of our cut-over areas. It is thus apparent that there will be a long interim between the time of the total destruction of our coniferous forests and the reforestation of the same. In the meantime is it not our duty to conserve our own forests in every way possible, and can it be denied that the drawing upon the forests of another country is at the present time the most effectual way of conserving our own? We think not.

CEDAR.

A pathetic presentation of the condition of the 434 shingle manufacturers of the State of Washington has been presented by Mr. John McMasters, of Seattle. He has himself referred to the fact that the cedar industry is confined to the most northwesterly part of the State of Washington. In fact, red cedar shingles and siding, which are used in almost every city and hamlet in the United States, are being subjected to an almost prohibitive duty in order to protect an industry confined to three counties.

And what is the extent of this tremendous industry to which he refers? He says their total capacity is 15,000,000 shingles per day. One single shingle machine employing two men has a maximum capacity of 35,000 per day and should cut 28,000 shingles on an

Digitized by Google

average. If there are 434 mills cutting 15,000,000 per day, the average daily cut per mill would be approximately 35,000, which would be equivalent to the output of one and one-fourth shingle machines. A shingle machine employs a machine man and a packer. So it is easy to see how limited, instead of how extensive, is this industry.

He further states that the difference in the cost of labor between shingles manufactured in British Columbia and in Washington is 15 cents per thousand. The work is piecework, and as a matter of fact the difference is 3½ cents per thousand. This is from figures recently obtained by me for the purpose of determining a comparative cost, in order to ascertain the advisability of the construction of a mill.

The shingle industry in the State of Washington has not been a uniformly profitable one. The reasons are twofold: In the first place, the average shingle mill costs only from $3,000 to $10,000 to construct. Every man engaged in lumbering who has a desire to sell his own labor to himself becomes, therefore, a shingle manufacturer. He is usually a man of limited means, unable to own stumpage, and therefore at the mercy of the stumpage holder. Shingle logs during the year 1907 on Puget Sound averaged $11 per thousand, while siding logs sold as high as $17 per thousand. Many owners of cedar stumpage in Washington are now holding the same at $5 per thousand, while the mill man, on account of the high price of logs, is compelled to manufacture his shingles from bolts cut out of stumps and old logs. The shingle manufacturer of Washington is at the mercy of the timber owner, and no matter how high the tariff may be put the timber owner will be the one who will reap the advantage, and not the manufacturer. It is true that cedar shingles have been shipped from British Columbia into the United States, but these are clear shingles, a quality not produced in the United States, the clear log being too valuable to use in shingle manufacture and being used for siding purposes.

TESTIMONY OF EDWARD HINES.

We can not conclude this argument without reference to the testimony of Edward Hines. Mr. Hines is reputed to be the largest lumber dealer in the world. He is an associate of Mr. Weyerhaeuser, and his testimony should at all times, by reason of the magnitude of his operations and his connections, be unassailable, and should carry with it that candor which this committee seemed to infer it possessed. The crux of Mr. Hines's argument was that Georgian Bay lumber could be laid down at all lake ports at $1.75 per thousand, and could from there be distributed to the adjacent territory so cheaply that southern pine could not compete therewith, and in order to substantiate his claim he made a misstatement which should have been discovered by at least one member of this committee who claims to have southern pine interests and to be a practical manufacturer. Mr. Hines said that the weight of southern pine in the rough was 4½ pounds per foot, or 4,500 pounds to the thousand, and all of his calculations as to the cost of transportation were based upon these figures. The fact is that commercial rough yellow pine, which for purposes of retail trade is sawed scant thickness (this refers to small dimension), weighs 2,700 pounds to the thousand, while the average

Digitized by Google

weight of this lumber when manufactured into flooring, drop siding, and surface boards will not exceed 2,200 pounds to the thousand feet. Note what bearing this has upon his argument.

He states on November 20, 1908, that the rate on yellow pine to St. Louis is $8.10 per thousand, and therefore that it can not compete with Canadian lumber, which has cost only $5.25 to transport to St. Louis. Now, see what a disparity between the figures given by him and the true fact. Dressed southern pine even shipped from New Orleans would cost only $4.04 freight to St. Louis, while rough pine would cost $4.86. He uses the same figures in arriving at a comparative cost of southern pine and Canadian lumber at Cleveland, Pittsburg, Chicago, and other places. It will thus be seen how wide of the mark are his statements.

I have already referred to the impression he conveyed as to the comparative cost of carrying stumpage in the United States and in Canada, and I desire to correct the further impression created by his testimony where it is stated that Mr. W. J. Young and Mr. Lamb, of Clinton, Iowa, have rebuilt their mills "nearer to the point of the timber in order to cheapen the cost of transportation." The fact is that the magnificent mills belonging to these two gentlemen, which at the time they were constructed were among the finest in the world, were destroyed, as has practically every other mill on the Mississippi below Minneapolis, because of the entire consumption of their timber supply.

CONCLUSION.

This is the case of the people of the United States versus the timber holders of the United States. It should be, and we trust it is, being submitted to a court and jury of open and unprejudiced minds. The question involved is greater than the welfare of any industry. The question is one which involves the protection of our forests—among the most beautiful of all God's creations. It is a question which has come home to almost every American citizen. Who is there who is not aware of conditions such as I now relate? I have traveled for 170 miles in Minnesota, through a district which at one time was a beautiful pine forest, and in that distance I have not been able to see a single logging operation, a single sawmill, or even a coniferous tree of size sufficient to produce a saw log. I have often traveled from Vancouver, B. C., to Portland, Oreg., a distance of 230 miles, through a region which twenty-five years ago was one of the grandest and most beautiful fir forests in the world, and in that entire distance I have not been able to see, with the naked eye, a coniferous tree measuring up to the needs of existing commerce. I have seen the lumber industry in Pennsylvania, Michigan, Wisconsin, and Minnesota recede until in some of the States the only industry there is is the manufacture of timber once scorned and left in the woods to die. I have seen the sawmills which at one time were found in almost every town and village on the Mississippi River north of St. Louis disappear. I have seen my home city of Minneapolis gradually recede from the proud position of the greatest lumber manufacturing center in the world, and have heard her lumbermen confess that in two years more there will be but two of the many sawmills of the city in operation. I have seen the price of stumpage advance by leaps and bounds until some of the most colossal fortunes of this

Digitized by Google

country have resulted therefrom. I have seen the cost of lumber, which enters into almost every avenue of life, advance beyond the increase in the cost of any other commodity used by man.

Is this an industry which needs nurturing at the hands of the Congress of the American people? Will it be safe to face the people after the promise of relief from tariff burdens with a schedule which cooperates in maintaining the high price of lumber? I believe not. And in my judgment, based upon a most careful survey of the situation and the feeling of the public pulse in all sections of this country, it will not matter what reduction is made in the other schedules of our tariff act if the duty is not entirely removed from lumber, people will not feel that this committee has acted in good faith.

The legislature of the great lumbering State of Wisconsin at its last session memorialized Congress for the removal of the tariff on lumber, and the Republican state convention of Minnesota (another great lumber State), held in July last, likewise adopted resolutions in favor of the removal of the tariff on lumber, and such action is indicative of the political sentiment of our people. The lumber industry does not need a tariff. The laborer engaged in the manufacture of lumber needs no protection from the higher-paid labor of Canada. Our forests do need conserving, and the most effectual way to bring about the same is to draw as freely as possible upon the forests of other countries. With the removal of the tariff this can be done, and done without injury to any American interest.

Respectfully submitted.

W. S. DWINNELL.

SUPPLEMENTAL BRIEF SUBMITTED BY A. R. ROGERS, OF MINNEAPOLIS, MINN., RELATIVE TO LUMBER.

MINNEAPOLIS, MINN., *December 1, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means, Washington, D. C.

DEAR SIR: May I be permitted to make the following statements supplemental to the testimony which I presented before the Committee on Ways and Means. These statements are in part based upon inquiry made of Mr. Knappen and myself, and also in part answer the statements made by Mr. Hines. If I may be permitted to add this, I would like to introduce the following material:

On Friday, November 20, 1908, Mr. Hill asked for a price list on lumber to consumers. The following list gives the price at which lumber is being sold to consumers in the vicinity of Lincoln, Nebr. I take that location for the reason that Lincoln is so situated as to put it in a position where it can buy lumber from all of the markets of the United States west of the Mississippi River, where the freight rates are nearly so equalized that the middleman or retailer is in position to take advantage of the entire producing market of the United States west of the Mississippi River. At this point yellow pine from the South, fir from the coast, white pine from Minnesota, and the pine from the inland empire or Spokane district meet, the lumber sold to the consumer being dependent on the price of the different commodities as made by the manufacturer. The prices are as follows:

Digitized by Google

Retail lumber prices at Lincoln, Nebr.

	Yellow pine.	Fir.	White pine.
2 by 4 to 2 by 12—12, 14, and 16 feet	$24 to $28	$24 to $28	$30 to $36
4 by 4 to 8 by 8—12, 14, and 16 feet	30 to 35	.....	33 to 36
Fencing, rough	30 to 32	35 to 38	35 to 38
Fencing, rough	25 to 27	28 to 32	.....
Fencing, rough, all white pine, No. 1	.....	.....	40 to 45
Sheathing	24 to 26	.....	24 to 26
Sheathing, No. 2, all white pine	.....	.....	30 to 32
Stock board, 1 by 12	28 to 30	.....	32 to 34
	31 to 35	.....	35 to 37
Shiplap, No. 2	26 to 28	.....	34 to 36
Shiplap, No. 1	28 to 30	.....	.....
C, select	.....	.....	65
D, select	.....	.....	55
Common finish	.....	.....	50
Clear	50	.....	.....
No. 1 fencing, flooring	.....	.....	43 to 45
No. 2 fencing, flooring	.....	.....	36 to 40
Edge grain flooring, A	48 to 50	48 to 50	.....
Edge grain flooring, B	45 to 47	45 to 47	.....
Flat grain flooring, A	40 to 42	.....	.....
Flat grain flooring, B	38 to 40	.....	.....
No. 1 common	35 to 37	.....	.....
No. 2 common	28 to 30	.....	.....
Bevel siding No. 2 or C, select	.....	.....	35
Red cedar bevel siding, No. 2 or C, select, $30 to $33.			
Red cedar shingles, $3.50.			
Lath, $5.50 to $6.			

There is a slight variation in the grade of the yellow pine and the white pine. Wherever possible I have provided for that.

Mr. Hill asked the writer for the price on a certain grade of lumber. In the price list above I have given that information.

LATH A BY-PRODUCT.

Some questions were asked of Mr. White regarding the cost of lath. In the manufacture of lumber lath is a by-product, and the manufacturer does not take the question of stumpage into consideration, for the reason that being a by-product the lath would have gone into wood or the burner if there was not some way of providing a market for this by-product. The manufacturer of lumber usually figures his lath in that way, and as a consequence the cost of lath to the manufacturer is nothing more than this labor plus cost of string and depreciation on machinery.

In a manufacturing plant in Minneapolis in which the writer was interested for a number of years, our average cost of making and piling lath from 1895 to 1903 was approximately 80 cents per thousand pieces. The cost of making lath since 1903 has not materially increased.

COST GREATER IN CANADA.

Manufacturing lath at Enderby, British Columbia, for 1907 cost approximately $1 per thousand pieces. A portion of this increase in cost in Canada over the United States is due to the fact of our being compelled to use oriental labor, which, on account of its greater inefficiency, notwithstanding the lower grade of wages, increases our cost of production very materially. A comparison with the above figures shows a net reduction of 20 per cent in cost of production in favor of the United States.

Digitized by Google

MR. HINES'S TESTIMONY MISLEADING.

Mr. Hines testifies, in reply to a question by Mr. Hill, "I said from $5 to $10, to put the lumber from Hayward, Wis., to Buffalo, N. Y., by rail costs about $7 per thousand." In analyzing this testimony we should take into consideration the natural way of shipping lumber from this point to Buffalo, which is not all rail, but, during the period of navigation, by rail from Hayward to Ashland (Lake Superior) and from Ashland to Buffalo by water. This entire transportation charge is less than $4 per thousand. Admitting that it is necessary to ship a portion of the material from Hayward to Buffalo "all rail" during the winter months, Mr. Hines has taken the maximum cost of rough lumber, whereas a large part of the lumber so shipped is not rough lumber, but lumber manufactured into siding, flooring, surface boards, etc., on which the average weight would in all probability not exceed, when dry, 2,200 pounds per thousand which, at 27 cents per hundred pounds "all rail" rate would make an actual cost of $5.90 for the average of all lumber.

A large portion of the lumber going to Buffalo and Tonawanda comes from Duluth and Cloquet, Minn. The transportation cost of this lumber, by water, from Duluth during the season of navigation, which is the time and manner in which fully 90 per cent of it is shipped, is $2 per thousand feet, whether the lumber is green or dry. This is much less than the amount given by Mr. Hines.

In the manufacture of boxes the character of lumber most generally used is No. 4 and No. 5 boards, or low-grade lumber. Taking the average of two of the largest mills in the State of Minnesota, producing in each case 100 million feet per annum, the figures show that of the entire mill cut the No. 4 and No. 5 boards do not exceed 20 to 25 per cent. If we add to this the No. 3 boards so manufactured, only a small portion of which would go into the manufacture of boxes, and then only on account of the scarcity of No. 4 and No. 5, we would have an additional total of 15 per cent No. 3 boards, or No. 3 and poorer of 40 per cent. It must be understood, however, that all of these boards do not go into the manufacture of boxes, the building trade using a very considerable percentage of the stock above mentioned.

Several of the gentlemen who have testified heretofore have stated that the low-grade product of the log is 60 per cent. Our contention is that it is not to exceed 40 per cent in the case of pine and the percentage of box material in fir and yellow pine is so small as to be unworthy of comment.

WATER TRANSPORTATION AND LUMBER COST.

Mr. Hines speaks of the cheap water transportation from Canada, explaining some of his increase of cost price. Taking this literally it is liable to be misunderstood, due to the fact that the cheap water transportation from Canada is only from the mills to the distributing centers. Lumber from Canada destined to Tonawanda or Chicago goes into the wholesale yards at those points, where it is handled. After adding handling charges, duty and the profits of the middleman are added; it is finally distributed on the same transportation costs as lumber from the United States, and in most cases the

Digitized by Google

aggregate of the water-transportation charge, cost of handling, duty and profit to the middleman and freight to the retail dealer makes total transportation and handling charge at common points greater than the cost of a like material from the United States. This is especially true of United States lumber conveyed also by water to the centers.

Mr. Hines also speaks of the increase in the cost of lumber, and says, "As a matter of fact yellow pine has increased only an average of 5 per cent, or from 50 per cent to $1.50 per thousand." Mr. Hines's experience is based on the Chicago market; our experience is that of the retailer, who must buy from the manufacturer and then sell direct to the ultimate consumer, whether farmer or local contractor.

YELLOW PINE ADVANCES $4 PER THOUSAND.

In December, 1907, the company with which I am connected purchased a large amount of yellow-pine lumber from one of the principal manufacturing plants in the South for delivery at Lincoln, Nebr. Eleven months thereafter, or in November of this year, we purchased a similar grade of lumber, not from the same manufacturer, but from a manufacturer in the same district, and paid exactly $4 per thousand more than we paid for the same lumber eleven months before. Our experience is that yellow pine has actually advanced not less than $4 and in some instances more, during the last twelve months.

COAST LUMBER ADVANCING TOO.

In the case of lumber from the coast our experience is that the price of lumber at the coast mills has advanced from $1 to $2.50 per thousand since the 1st day of November of this year. Mr. R. L. McCormick, of Tacoma, Wash., in an interview in the American Lumberman under date of November 16, 1908, makes a like statement.

ERRONEOUS WEIGHT FIGURES.

Mr. Hines states that yellow-pine lumber from the South, in the rough, weighs 4½ pounds per foot, and that the freight on same is $11.50 per thousand feet. The official weights of dry lumber as published by the Yellow Pine Manufacturers' Association would indicate an entirely different condition of affairs. These weights on short-leaf pine are as follows: Flooring from 1,800 to 2,200 pounds per thousand feet, ceiling from 1,100 to 1,700 pounds per thousand feet, shiplap from 2,300 pounds per thousand feet, 2 by 4 to 2 by 8, S. I. S. and E., 2,500 per thousand feet.

As practically no rough lumber is shipped, it is necessary to quote the weight. By noticing the above you will see that the weights are about one-half those stated by Mr. Hines. The average rate of freight on yellow pine to St. Louis is 18 cents per hundredweight and to the most of the consuming territory from 22 to 26 cents per hundredweight. Taking the average weight of shipping lumber at 2,300 pounds per thousand feet, and 26 cents, the highest rate you have, a cost for transportation is $6 per thousand feet instead of $11.50.

Digitized by Google

COST OF LABOR.

Our company is manufacturing lumber in Canada, and we have also manufactured in the United States. In our Canadian operation we employ more or less oriental labor on account of our inability to secure white labor. We prefer the white labor at the increased cost which we are compelled to pay, and this increase brings the price per man to a higher price than we paid the same man in the United States. A number of the men we are using are men whom we formerly employed in the United States, and in every instance we have been compelled to pay them more money to work in Canada than in the United States. The inefficiency and incompetency of the oriental labor makes it the most expensive and most unsatisfactory labor which it is possible to employ. Our pay roll, which will be filed by Mr. T. M. Knappen, is evidence of this fact.

AS TO STUMPAGE VALUES.

Mr. Hines also states that fifteen years ago he paid $3 per thousand for pine stumpage and that the same stumpage to-day would be worth only from $6 to $9 per thousand. He also says, in speaking of the profits on this stumpage, that if you take the original cost of $3 and add 6 per cent interest for fifteen years you have added 200 per cent to the stumpage, which, when the taxes are added, does not leave much of any profit. As a matter of fact, 6 per cent interest, compounded, increases 140 per cent in fifteen years and not 200 per cent. His experience with this pine is quite different from that of the majority of owners of pine timber. In one instance a tract of timber comprising something over 100 million feet in the State of Minnesota was sold in 1899 for $1.75 per thousand. The same timber is still standing and is to-day worth $10 per thousand.

Mr. Hines states, in answer to the following question from Mr. Clark, "Is the lumber output of the United States greater at the present time than it was in 1897?" Answer. "No, sir." Mr. Hines is undoubtedly in error as to this, as the records in the government office will show. See page 6, Forest Products, No. 2, Department of Commerce and Labor, Bureau of the Census.

SOME OVERLOOKED FACTORS.

Mr. Hines, in answer to a question regarding the increase in price of pine, fails to take into consideration a number of very important factors. It is generally conceded by the lumber men that the greater economies in the manufacture of lumber due to the scarcity of low-grade boards have forced the manufacturer to saw the log closer, sort out material which has heretofore been burned and use it for lumber—to economize in every other known way, which, together with the improvements in methods and machinery during the time in question, have so operated to reduce the total cost of producing lumber that the writer is convinced that with the increased cost of production, as well as the other items discussed above, the lumber manufacturer of this country has nothing to fear from Canadian competition. The removal of the tariff would operate to conserve our forests, make a more uniform and a lower price to the

Digitized by Google

consumer, and would, on the whole, be to the advantage of all the people, and the writer earnestly requests that your committee recommend the entire abolition of the tariff on lumber, lath, shingles, and other forest products.

In response to a question by Mr. Hill, in which he speaks of the increase in the price of lumber being 46.9 per cent, this increase should be explained. As a matter of fact the woods principally affected by the tariff are the commercial woods—white pine, yellow pine, fir, hemlock, spruce, cypress, poplar, and red gum. If we take these woods into consideration the increase is much greater than 46.9 per cent, as is evidenced by the following percentages of increases taken from Circular No. 122, Agricultural Department, page 10: White pine, 45 per cent; yellow pine, 77 per cent; Douglas fir, 63 per cent; hemlock, 54 per cent; spruce, 59 per cent; western pine, 53.8 per cent; cypress, 64 per cent; poplar, 73 per cent; and red gum 64 per cent.

Mr. Hines states that if the tariff is removed the importation of low-grade lumber would be so great that the manufacturer in the United States would be compelled to leave the tops and low-grade stuff in the woods. On this point the writer takes issue. Is it reasonable to suppose that with manufacturers of lumber using every known means to manufacture more of the low-grade lumber by sorting out the box material from the wood pile they would leave in the woods tops which, in every instance, contain more or less merchantable lumber?

HIGH PRICES AND CONSERVATION.

A number of the gentlemen testifying have stated that the only way to conserve our forests is through the means of high-priced lumber. This is not borne out by the facts in the government reports. There has been an increase in the price of lumber in seven years of 49 per cent, and during that entire period there has been a steadily increasing consumption of lumber. If the high price of lumber has not tended to conserve our forests, a still higher price would not do so, excepting by making the price prohibitive and thereby stopping all other industries dependent on lumber for their support.

In conclusion the writer is of the opinion—

First. That the statement that the increased cost of production in the United States makes it impossible for the United States manufacturer to compete with the Canadian is not correct. Second. That the low-grade boards of Canada would not so interfere with the lumber of this country as to make manufacturing unprofitable. Third. That taking into consideration the increased quantity of lumber produced from the log, the difference in the method of manufacture, with the increased demand for low-grade boards at a profit the manufacturer of lumber is more than compensated for any slight increase in the rate of wages paid, and that the actual cost of production at the present time is less than it has ever been before. Fourth. That the price of lumber would not be so depressed as to be disastrous to the United States manufacturer.

Digitized by Google

EXHIBIT A.

A. R. Rogers's sawmill, Enderby, British Columbia—Wage schedule for 1907.

SAWMILL.

Day crew:		
Foreman	per month	$150.00
Filer	per day	7.00
Sawyer	do	7.00
Millwright—		
One	do	4.50
Two	do	4.00
One	do	3.75
Two	do	3.50
Setter	do	3.50
Edgerman	do	3.50
Edgerman's helper	do	3.00
Resawyer	do	3.00
Oiler	do	3.00
Blacksmith	do	3.00
Millwright	do	3.00
Trimmer	do	2.75
Filer's helper	do	2.75
White laborers, 12	do	2.50
Japanese laborers, 5	do	2.35
White laborers, 2	do	2.25
White laborers, 2	do	2.00
Chinese laborers, 3	do	1.90
Night crew:		
Foreman	per month	100.00
Sawyer	per day	7.00
Filer	do	6.00
Setter	do	4.00
Edgerman	do	3.25
Resawyer	do	3.00
Oiler	do	3.00
Edgerman's helper	do	2.75
Trimmer	do	2.75
White laborers, 6	do	2.50
Japanese laborers, 5	do	2.35
Hindoo laborers, 2	do	2.00
Chinese laborer, 1	do	1.90

ENGINE ROOM.

Day crew:		
Engineer	per month	140.00
Fireman	per day	2.75
Night crew:		
Engineer	per month	90.00
Fireman	per day	2.75

PLANING MILL.

Day crew:		
Foreman	per day	4.00
Planer men—		
Two	do	2.75
Four	do	2.50
Japanese grading bench, 6	do	2.35
Chinese, 1	do	1.90
Night crew:		
Foreman	do	3.50
Planer men—		
Two	do	2.75
Four	do	2.50
White laborers, 2	do	2.50
Japanese laborers, 7	do	2.35

Digitized by Google

SORTING SHED.

Day crew:		
Grader	per day..	$2.25
Hindoo, 1	do....	2.00
Chinese, 6	do....	1.90
Night crew:		
Graders, 2	do....	2.50
Chinese, 6	do....	1.90
Japanese, 1	do....	2.35

LATH MILL.

Day crew:		
Foreman	per day..	2.75
Laborer, 1	do....	2.50
Chinese laborers, 4	do....	1.90
Night crew:		
White laborers, 2	do....	2.50
Chinese laborers, 3	do....	1.90
Shipping crew:		
Foreman	per month..	100.00
Grader	per day..	3.25
Teamsters, 2	do....	3.50
Loaders, 3	do....	2.50
Chinese Loaders—		
One	do....	1.90
One	per month..	60.00
Miscellaneous day crew and night crew:		
Teamsters and head stableman	do....	90.00
Stablemen	per day..	2.50
Transfer cars—		
One	do....	2.50
One	do....	2.25
Teamster, 1	do....	2.50
Hindoos—		
Five	do....	1.75
Five	do....	1.50
Pond men	do....	3.00
Transfer cars, 2	do....	2.50
Night watchman	do....	2.25
Teamster, 1	do....	2.50

Bowman Lumber Company (Limited) daily report, Revelstoke Mill, British Columbia, May 26, 1908.—Cost of production by departments.

SAWMILL.

	Number.	Per day.	Amount.
Foreman	1	$6.00	$6.00
Log deck	1	2.25	2.25
Sawyer	1	6.00	6.00
Tail saw	1	2.25	2.25
Setters	1	3.00	3.00
	1	3.25	2.25
Edgers	1	4.00	4.00
	1	2.00	2.00
Trimmers	1	2.25	2.25
	1		
Slasher	1	2.00	2.00
Filers	1	6.00	6.00
Grader	1	3.00	3.00
Millwrights	1	3.50	3.50
Engineers	1	4.00	4.00
Chainmen	2	2.00	4.00
Rollway men	2	2.25	4.50
Watchman	1	2.50	2.50
Oil expense			.85

Digitized by Google

Bowman Lumber Company (Limited) daily report, Revelstoke Mill, British Columbia, May 26, 1908.—Cost of production by departments—Continued.

PLANING MILL.

	Number.	Per day.	Amount.
Foreman	1	$4.00	$4.00
Machine men	1	2.75	2.75
	2	2.25	4.50
Laborers	1	2.10	2.10
	2	2.00	2.00
Laborers (oriental)	1	1.75	1.75
	2	1.50	3.00
Oil expense			.60
Yard and loading:			
Foreman	1	4.00	4.00
Loaders	1	2.25	2.25
	2	2.00	4.00
Pilers	2	2.00	4.00
Pilers (oriental)	2	1.50	3.00
Graders	2	2.50	5.00
Bundler and grader	1	2.00	2.00
Teamster	1	2.00	2.00
Dry kiln (oriental)	1	1.50	1.50

Arrow Lakes Lumber Company (Limited), Arrowhead, B. C.—Average wages paid, season 1907.

Sawmill:	
Foreman	$5.50
Millwright	4.17
Millwright (helper)	3.00
Band sawyer	6.50
Setter	3.75
Dogger	3.00
Tail sawyer	2.655
Scaler on log deck	3.00
Roller on log deck	2.50
Gang sawyer	4.50
Cant setters	2.75
Edgers	4.375
Jackers for edgers	2.75
Trimmers	3.25
Lumber tallier	2.75
Slashers	2.75
Markers on transfer	2.75
Pulling off transfer	2.12
Oilers	2.50
Engineer, chief	4.50
Engineer, assistants	3.10
Head filer	12.00
Assistants	3.50
Conveyer	2.25
Burner tender	2.65
Mill boom	2.70
Cart teamsters	2.50
Laborers—	
White	2.50
Oriental	2.00
Watchman	2.50
Machinist	4.00
Blacksmith	4.00
Blacksmith, assistant	2.75
Carpenter	3.00
Handy man	2.75
Planing mill:	
Foreman	5.67
Helpers	3.125
Grader	3.85
Trimmer men	3.00
Feeders	2.75
Tailers	2.00
Stickers	2.00

Digitized by Google

Shipping:	
Head shipper	$3.85
Tallymen	2.75
Laborers	2.50
Tugboat:	
Captain	3.60
Engineer	3.10
Deckhand	2.75
Woods:	
Walking boss	5.70
Camp foreman	4.55
Cook	3.25
Teamsters	3.82
Sawyers	2.43
Bull cook	2.20
Swampers	2.24
Blacksmith	3.00
Clerk and scaler	2.82
Driving camp:	
Foreman	5.70
Drivers	3.70
Cook	3.25
Piling:	
Head piler	3.20
Laborers	2.50
Tram teamsters	2.75

Average wages paid at the mills of the Elk Lumber Company, at Fernie, British Columbia, and of the Red Deer Lumber Company, at Burrows, Saskatchewan, for the years 1903 to 1908, inclusive.

MILL.	Per day.
Band sawyers	$7.50
Gang sawyers	4.50
Tail sawyers	2.50 to 3.00
Edger men	3.00 to 3.75
Trimmer men	3.25
Setters	3.75
Carriage riders	3.00
Helpers on trimmer	3.00
Transfer men and laborers	2.00 to 2.60
Band filer	8.50
Round saw and gang filer	7.00
Millwrights	4.00
Engineer	4.00
Fireman	3.00
Blacksmith	3.75
Machinists	3.75
Boom men	3.25
Laborers	2.50
Watchmen	2.50
Grader	2.75
Sorters and transfer men	2.25
Lumber pilers	2.25 to 2.75
Laborers in yard and loading cars	2.25
Oilers in mill and planing mill	2.75
Planing mill:	
Machine feeders	2.50 to 3.50
Helpers	2.25
Teamsters	2.50
Carpenters	4.00
Helpers	2.50
Manager	[a] 4,000.00
Mill foreman	[a] 1,500.00
Yard foreman	[a] 1,500.00
Bookkeeper	[a] 1,200.00
Timekeepers and clerks	[b] 60.00 to 85.00

[a] Per year. [b] Per month.

Digitized by Google

LOGGING CAMP.

	Per day.
Loaders	$2.80
Swampers	1.85
Sawyers	2.25
Teamsters	2.35
Railroad men	2.50
Stable boss	2.60
Hook men	2.25
Blacksmith	3.40
Filer	3.00
Camp tender	2.25
Railroad laborers	2.05
Cook	3.40
Cookees	2.25
River men	3.00
Clerks	3.00
Foreman	4.35
Teams without drivers	3.00

Wage scale for season of 1908—Keewatin Lumber Company (Limited), Keewatin, Ontario.

Boom and lake:		
Foreman assorting logs and setting to slip for day and night run	per month	$58.50
1 man at foot of band saw slip	per day	1.75
1 man at foot of T. B. saw slip	do	1.75
Sawmill:		
1 man jacking logs and rolling down for band saw	do	1.75
1 man twin-band sawyer	do	3.50
1 man band sawyer	do	6.00
1 man setter on band	do	2.50
1 man carriage rider	do	2.25
1 man twin-band log setter	do	1.75
1 man twin-band tail sawyer	do	1.80
1 man twin-band tail sawyer	do	1.70
1 man band-tail sawyer	do	1.80
2 slab attendants from band to resaw	do	1.50
2 slab attendants from twin band to resaw	do	1.60
1 man resaw feeder	do	2.00
2 men resaw tail sawyers	do	1.75
1 man setting cants for gang	do	2.50
1 man setting cants (helper)	do	2.25
1 man gang sawyer (day)	do	4.00
1 man gang sawyer (night)	do	3.00
2 men shim puller for gang	do	1.80
1 man gang edger	do	2.75
1 man gang edger (helper)	do	1.75
1 man resaw edger	do	2.25
1 man band edger	do	2.50
3 men edging catchers back of edgers	do	1.60
1 man on transfer to trimmer and cutting railroad ties	do	1.60
1 man pull saws on trimmer and change trimmer saws	do	2.50
1 man head end of trimmer	do	2.25
1 man tail end of trimmer	do	1.80
1 boy carrying water for whole mill	do	1.10
1 man slasher and attendant	do	1.75
1 man, extra, on sawing floor and oiler	do	1.75
1 sawmill foreman; must thoroughly understand lumber grades, also keep sawmill time	per month	100.00
1 millwright who, with oiler, must help attend gang	do	100.00
1 oiler and lubricant attendant	do	50.00
1 chief engineer and electrician	do	100.00
1 fireman	do	55.00
1 man cleaning up downstairs	per day	1.60

Digitized by Google

Filing rooms:		
1 man, head band filer for band, twin band, and resaw, for day and night runs	per day	$8.00
1 assistant band filer	do	3.50
1 assistant band filer (nights), file slasher, and trimmer saws	do	2.50
1 gang filer, day and night runs	do	6.00
1 assistant gang filer (nights) and file edger saws	do	2.50
Lath mill:		
1 man foreman and filer for day and night runs	per month	100.00
1 man pushing bolts	per day	2.25
1 man pushing bolts	do	2.00
1 boy pushing lath	do	1.75
1 man pulling lath	do	2.00
1 man tying lath	do	2.00
2 men picking lath stock	do	1.75
2 men picking edgings for wood	do	1.75
1 man tying edgings for wood	do	1.75
1 man picking slabs at burner	do	1.75
1 man cleaning up about mill (outside) and attend to conveyors and burner, from 6 a. m. to 6 p. m	per day	1.75
1 night watchman for planing mill, sawmill, barn, office, and sawmill yard, from 6 p. m. to 7 a. m., and raise steam in planing mill	per day	1.80
1 Sunday watchman, same as above, from 6 a. m. to 6 p. m	do	1.60

(All watchmen to report ten minutes before their work time.)

Assorting shed (marking, grading, and loading on trucks):		
1 man head marker	per day	2.00
1 man helper	do	1.75
8 men pulling off chains	do	1.75
1 man scaler	do	1.80
1 man driving switch horse	do	1.60
1 man driving slab team	do	1.75
Planing mill:		
Foreman (do his own filing and grinding)	per month	80.00
Engineer and fireman, eleven hours per day	do	50.00
Man feeding surfacer	per day	1.85
Men feeding machine or resaw	do	1.75
Cleaning surfacer	do	1.65
Men clearing matchers or resaw	do	1.50
All other help when necessary	do	1.60
Boy switching trucks and horse	do	1.50

(No extra man will be allowed for grinding or oiling, etc.)

Yard and shipping:		
1 foreman to look after all yard work for day and night runs, also grading in and out of yard, and to be at sawmill when night crew begins work, and inspect sorting shed and assist in getting shed crew in good working order	per month	100.00
1 shipping clerk, platform and yard salesman	do	60.00
Select sorter	per day	2.00
Flooring and siding sorter	do	1.90
All other yard help	do	1.65
Piling green lumber:		
8 feet and longer	per M	.15
6 feet and shorter	do	.20
Building foundations and repairing trams, etc	per day	1.90
Barn:		
Foreman	per month	55.00
Two-horse teamster	per day	1.70
1 horse or switch teamsters	do	1.50
Blacksmith:		
1 blacksmith	per month	70.00
1 machinist	do	75.00
1 wagon maker	do	60.00
1 general timekeeper	do	50.00

Digitized by Google

Statement of Small & Bucklin Lumber Company, of New Westminister, B. C., giving wage schedule and attesting underselling of Canadian lumber by Americans in Canadian markets.

Logging camp:			
Hook tender	per day	$6.00	
Fallers and buckers	do	4.00 to	$4.50
Engineer, second class	per month	100.00	
Teamsters	do	110.00	
Signalmen	per day	3.50	
Rigging slinger	do	3.50 to	4.00
Swampers	do	3.00	
Mill Men:			
Sawyer	do	6.00 to	7.00
Filer and helper	do	10.00 to	12.00
Engineer, fourth class	per month	100.00 to	150.00
Firemen	per day	2.50	
Edger man	do	4.00	
Sizer man	do	3.50	
Resaw man	do	3.50	
Planer foreman	per month	125.00	
Millwright	per day	3.50	
Blacksmith	do	3.50	
Common labor	do	2.00	

All of the above mill men with one or two exceptions came here from Washington and consequently we were obliged to offer them when they came here looking for positions better than they could do at home, as they informed us that that was the reason of their looking up work on this side, as they preferred to live in Washington; but we considered this class of operatives much more efficient and economical than we were able to secure elsewhere, and I think all the mills here have found the same result and were anxious to secure any such skilled workmen from Washington that came here looking for positions, at least such was the condition among mill men until the depression last fall.

The oriental labor employed is cheaper than the white for common work per day as to price, but we do not consider it more economical, on account of the lack of efficiency except for light work; but this class of help for common yard work was all we were able to secure. Our superintendent is from Washington and has had many years of experience in Wisconsin, Washington, and in the South, and confirms this opinion and says that the cost of operation is more here than in Washington. The duty on machinery coming from the other side is 27½ per cent, so that we figure total cost of construction is at least 25 per cent more here than in Washington. Nearly all the heavy machinery used here comes from the United States, and we feel it necessary to use it in order to compete in our own markets, as the Washington mills undersell us at many places in the Canadian market. The Washington mills even pay duty on some of the upper grades and undersell us in the Winnipeg territory markets. Their product is now being sold in Vancouver, B. C., within 12 miles of us, and they are now shipping large quantities of fir doors to this market upon which there is a Canadian duty of 25 per cent.

Digitized by Google

EXHIBIT B.

Reports of cost of lumber production at British Columbia mills.

REPORT ON COST OF PRODUCTION.

I. 1. Name of company, W. F. Huntting Lumber Company.
2. Location of mills, Vancouver, British Columbia.
3. Daily capacity, 75,000 feet.
II. Wages in normal times.
1. Mills. (Please use accompanying blank. Fill in Canada column anyhow, and United States column if you possess any information on that point.)
2. Logging.
III. Cost of construction of mills, general equipment, and machinery, as compared with United States. Are they approximately more or less, and about what per cent?—Am not familiar enough with what is paid in the United States as to wages and material used in construction, but as to machinery and general equipment, we bought same in the United States and had to pay from 25 to 35 per cent duty.
IV. Cost of logging equipment, cables, donkey engines, railroad, food supplies, etc., as compared with average United States prices. Is it more or less, and approximately what per cent?—We do not do any logging.
V. If you use orientals for common labor, please explain why they are used in preference to white labor.—We used orientals because they are here. This is the only reason I can give.
VI. Considering results, how does oriental compare with white labor? Is it cheaper or more expensive?—I can not intelligently answer this question, but I believe that with plenty of white labor and wages normal better results can be gotten with white labor.
VII. If you can, give the approximate difference between prices of cedar and fir logs in British Columbia and Puget Sound points at the present time, and also in normal times.—I understand that fir logs are cheaper on Puget Sound by a couple of dollars and cedar logs higher by about $4.
VIII. General remarks.

W. F. HUNTTING LUMBER COMPANY,
J. A. MCKIRCHER, *Manager.*

Rate of wages paid at W. F. Huntting Lumber Company's sawmills, British Columbia.

Foreman	per month	$125.00
Sawyer	per day	4.50
Millwright	do	4.00
Setter	do	3.00
Edgeman	do	3.50
Trimmer (we trim on swing saw), 2 Japanese	do	1.75
Sorters, Hindoos	do	1.00
Lath-mill foreman	per M	.65
Stock picker	per day	2.00
Slab men (1 white and 2 Hindoos, $1)	do	2.00
Filer	do	6.00
Filer's helper	do	3.00
Engineer	per month	110.00

Digitized by Google

Fireman	per day	$2.50
Dry-lumber grader	do	2.25
Blacksmith	do	3.25
Oiler	do	2.00
Yard men, foremen (both Hindoos and Japanese)	per month	90.00
Teamsters	per day	2.50
Planing-mill foreman	per month	125.00
Planer feeders	per day	2.25
Planer feeders' helpers	do	1.00
Shipping-yard foreman	per month	90.00
Car loaders	per day	2.00
Common yard labor (white)	do	2.00

Common labor (Chinamen, Japanese, Hindoos), we have an army; one-third white could do the work.

REPORT ON COST OF PRODUCTION.

I. 1. Name of company, B. F. Graham Lumber Company.

2. Location of mills, Victoria, British Columbia.

3. Daily capacity, 30,000 to 40,000, ten hours.

II. Wages in normal times, $2.50 to $5.

1. Mills. (Please use accompanying blank. Fill in Canada column anyhow, and United States column if you possess any information on that point.)

2. Logging—Very expensive; all white labor, $3 to $6 per day. All supplies for logging camp (not machinery) 30 per cent higher than in United States.

III. Cost of construction of mills, general equipment, and machinery as compared with United States. Are they approximately more or less, and about what per cent?—More, by 30 per cent.

IV. Cost of logging equipment, cables, donkey engines, railroad, food supplies, etc., as compared with average United States prices. Is it more or less; approximately what per cent?—Not counting cables, which are about the same price as United States, cost of equipments 25 to 30 per cent more than United States.

V. If you use orientals for common labor, please explain why they are used in preference to white labor.—For common labor a great many Chinese and Japanese employed by sawmills; wages about the same as white labor in United States and will not do as much work.

VI. Considering results, how does oriental compare with white labor? Is it cheaper or more expensive?—More expensive.

VII. If you can, give the approximate difference between prices of cedar and fir logs in British Columbia and Puget Sound points at the present time and also in normal times.—About the same at all times.

VIII. General remarks: We sold our sawmill at Victoria last spring, only operating our logging camps at present time. Duty on lumber and other forest products between Canada and United States should be removed; in fact, on all goods between the two countries. Canada should remove all restrictions on all timber and logs going to United States.

B. F. GRAHAM LUMBER COMPANY (LIMITED),
C. B. BETTERTON, *President.*

Digitized by Google

REPORT ON COST OF PRODUCTION.

I. 1. Name of company, Vancouver Lumber Company (Limited).
2. Location of mills, Vancouver, British Columbia.
3. Daily capacity, about 125,000 feet, ten hours.
II. Wages in normal times, common labor $1.50 to $2.25 per day.
1. Mills. (Please use accompanying blank. Fill in Canada column anyhow, and United States column if you possess any information on that point.)
2. Logging.—We do not do any logging.
III. Cost of construction of mills, general equipment, and machinery as compared with United States. Are they approximately more or less, and about what per cent?—35 to 40 per cent more than in United States.
IV. Cost of logging equipment, cables, donkey engines, railroad, food supplies, etc., as compared with average United States prices. Is it more or less; aproximately what per cent?—About the same as cost of mill construction.
V. If you use orientals for common labor, please explain why they are used in preference to white labor.—It is almost impossible to get efficient white labor.
VI. Considering results, how does oriental labor compare with white labor? Is it cheaper or more expensive?—We would much prefer good white labor at $2.25 to $2.50 per day to orientals at $1.25 to $1.75.
VII. If you can, give the approximate difference between prices of cedar and fir logs in British Columbia and Puget Sound points at the present time and also in normal times.—Prices of logs are generally about the same on both sides of the line. Sometimes cedar logs are a little cheaper in British Columbia, but not very much.
VIII. General remarks: We have had no actual experience in milling in the States of Oregon, Washington, and Idaho, but from our general observation and information during the last four and a half years we think lumber can be manufactured over there from 50 cents to $1 per thousand cheaper than in British Columbia. Our experience before coming here was in the yellow-pine district of the South. where white and negro labor is used, and we find that the cost of production is much more here. Our mill supplies cost more over here by about 33⅓ per cent.

VANCOUVER LUMBER COMPANY (LIMITED).

Rate of wages paid at Vancouver Lumber Company (Limited) sawmills, British Columbia.

Foreman	per month		$2.00
Sawyer	per day	$6.00 and	6.50
Millwright	do	4.50 to	5.00
Setter	do	3.00 to	3.50
Edgerman	do	3.50 to	4.00
Edgerman helper	do	3.00 to	3.50
Trimmer	do		4.00
Lath-mill foreman	do		4.00
Filer (furnishes his helpers, but we furnish all supplies)	per day		16.00
Common labor	do	1.50 to	2.25
Engineer	per month	125.00 to	150.00
Engineer assistant	per day	3.00 to	3.50

Digitized by Google

Fireman	per day	$2.50 to	$3.00
Dry-lumber grader	do	--------	3.00
Blacksmith	do	--------	3.50
Planing-mill foreman	per month	125.00 to	150.00
Planer feeders	per day	2.25 to	2.50
Shipping-yard foreman	per month	--------	125.00
Car loaders	per day	2.00 to	2.25
Common yard labor (white)	do	2.25 to	2.50

REPORT ON COST OF PRODUCTION.

I. 1. Name of company, Victoria Lumber and Manufacturing Company (Limited).

2. Location of mills, Chemainus, British Columbia.

3. Daily capacity, 250,000 feet in ten hours.

II. Wages in normal times.

1. Mills. (Please use accompanying blank. Fill in Canada column anyhow, and United States column if you possess any information on that point.)

2. Logging.—Wages paid in logging camps normally the scale paid on Puget Sound, but when men are scarce we have to pay slightly higher wages.

III. Cost of construction of mills, general equipment, and machinery, as compared with United States. Are they approximately more or less, and about what per cent?—Cost of machinery, equipment, etc., higher on this side. As most of machinery is built in United States, should say that cost would be about 10 per cent higher on this side.

IV. Cost of logging equipment, cables, donkey engines, railroad, food supplies, etc., as compared with average United States prices. Is it more or less, and approximately what per cent?—Cost of logging engines and railroad supplies about the amount of duty higher, viz, 27½ per cent. Food, wire rope, and general tools and supplies will average about 10 per cent higher than in United States.

V. If you use orientals for common labor, please explain why they are used in preference to white labor.—Use some Japs and Chinamen as common laborers; white labor not to be procured.

VI. Considering results, how does oriental compare with white labor? Is it cheaper or more expensive?—Oriental labor is better than the tramp white labor, but good steady white men will do a good deal more than orientals. In our experience, while wages to orientals are cheaper, the final results do not show a gain by employing orientals.

VII. If you can, give the approximate difference between prices of cedar and fir logs in British Columbia and Puget Sound points at the present time and also in normal times.—Prices of logs depend largely upon local conditions, but should say the average for a year would show the cost of logs on this side about 10 per cent cheaper than on Puget Sound, but if demand for lumber is heavy in British Columbia, price is nearly equal.

VIII. General remarks: Cedar logs are usually cheaper in British Columbia on account of there not being sufficient cedar and shingle mills to use up what cedar logs are put in the water when logging fir; this condition is gradually disappearing as more cedar and shingle mills are being erected.

VICTORIA LUMBER & MANUFACTURING COMPANY (Limited),
E. J. PALMER, *Manager.*

Digitized by Google

Rate of wages paid at Victoria Lumber and Manufacturing Company (Limited) sawmills, British Columbia.

Foreman	per year	$2,000.00
Sawyer	per day	5.50
Millwright	do	3.50
Setter	do	2.75
Edgeman	do	3.25
Edgeman helper	do	2.50
Trimmer (oriental)	do	1.65
Sorters	do	1.25 to 1.50
Lath-mill foreman, Bolter and helper, Stock picker, Slab men (lath cut by contract; for labor only.)	per thousand	.80
do Filer		7.00
do Filer helper		3.00
Common labor:		
White	per day	2.50
Oriental	do	1.25 to 1.50
Engineer	do	3.00
Engineer, assistant	do	2.75
Fireman	do	2.50 and 2.75
Dry-lumber grader	do	1.75
Blacksmith	do	3.25
Oiler	do	1.50
Yardmen:		
Foreman	per month	80.00
Laborers (oriental)	per day	1.25
Teamsters	per month	50.00 to 60.00
Planing-mill foreman	per day	4.00
Planer-reeders' helpers	do	1.50 to 2.50
Shipping-yard foreman	do	2.75

Car loaders and common labor, mostly all oriental, wages run from $1.25 to $1.65 per day.

EXHIBIT C.

Wage scale, Lamb-Davis Lumber Company, Leavenworth, Wash., 1908.

Mill employees:		
Foreman	per month	$150.00
Millwright	per day	3.25
Deckman	do	2.75
Sawyers	do	6.00
Setters	do	3.50 and 3.75
Doggers	do	2.75 and 3.00
Offbearers	do	3.00
Oilers	do	3.00
Trimmermen	do	2.75
Edgermen	do	3.50 and 3.75
Splashermen	do	2.75
Filer, contract, 2 double-cut band	do	15.00
Laborers	do	2.50
Watchman	do	2.75
Yard men:		
Foreman	per month	115.00
Chain sorters	per day	3.00
Sort at chainmen (Japanese)	do	1.85
Teamsters	do	2.75
Shipping clerk	per month	100.00
Lumber graders	per day	3.00
Car loaders	do	2.50
Tallymen	per month	75.00

Digitized by Google

Planer mill:		
Foreman	per month	$115.00
Feeders	per day	2.75
Tailers	do	2.50
Filer	do	4.50
River men:		
Drivers	do	3.75
Pond men	do	2.75
Woodsmen, swampers	do	2.75
Teamsters and cutters	do	3.00

Wages paid by Spokane Lumber Company, Milan, Wash.

	1907 *.	1908 *.
Saw mill foreman and millwright	$100 per month	$90 per month.
Chief engineer of whole plant and kilns	$100 per month	$100.
Other engineer, night and day, saw and planing mill	$2.75 and $3	$2.50 (day of ten hours).
Sawyer	$6 and board	$6 (no board).
Filer	$6 (ten hours)	$6 (ten hours), when run nights, $4 extra. He pays his helper $2.50 to $3.
Setter	$3	$3, does it all.
Carriage rider	$3 (changed with setter).	$2.50, tail end only.
Offbearer (tail saw)	$2.50 and $2.75	$2.25.
Edger man	$3.50	$3.
Tail edger and slasher tender	$2.25	$2.
Tail trimmer	$2.25	$2.
Trimmer	$2.75	$2.50.
Lumber marker on chains	$2.75 and $3	$2.50.
Sorters	$2.25	$2.
Lathman	$3.50	$3.
Bolter and helper	$2.75 and $3	$2.50.
Stock picker	$2.25	$2.
Slab men	$2.25	$2.
Watchman	$2.25 (no board)	$2 and board (special man, here seven years).
Fireman	25 cents per hour (twelve hours).	22½ cents per hour (twelve-hour shifts).
Fireman helper when necessary	22½ cents per hour	20 cents per hour.
Teamster on green lumber into yard	25 cents per hour	22½ cents per hour (ten-hour shifts).
Kiln men	$2.50	$2.25.
Dry lumber shed, grader and sawyer	$2.50	$2.25.
Blacksmith	$3.50	$3.
Oiler and foreman's helper	$2.50	$2.
Yardmen	$2.50	$2.25.
Lumber pilers, contract	30 cents per 1,000	25 cents per hour and 2 cents bonus at end of year.
They pay their help 25 cents to 27½ cents per hour this year. In 1907 paid 30 and 32½ cents.		
Dry-lumber teamster	$2.25	$2.
Wagon loaders (for shipment or to planers)	$2.25	$2.
Planing-mill foreman	$90 per month	30 cents per hour and overtime.
Planer feeders (big services and stickers)	$2.75	$2.50.
Planer feeders (small machines)	$2.50	$2.25.
Tail planers	$2.25	$2.
Shipping clerk	$90 per month	30 cents per hour.
Head grader and factory plant shipper, work anywhere.	35 cents per hour	30 cents per hour.
Car loaders and graders	30 cents per hour	25 and 27½ cents per hour.
Helpers	$2.25	$2.
Other common laborers	$2.25	$2.

*All wages not otherwise specified are by the day.

All wages figured per hour or on basis of ten hours per day. Are doing no logging this year. Next fall, if warranted in doing any, the woods wages will be about 10 per cent less than 1907. Men will all work by the day of ten hours, with probably $2 as a basis for swampers and common laborers, $2.25 for hook men and two-horse teamsters,

Digitized by Google

$2.50 for loaders and four-horse teamsters, less board and $1 per month hospital, sawyers $2.25 and $2.50, blacksmith $3, foreman (according to the man and job).

Scale of wages paid by the Stanley-Smith Lumber Company, Hood River, Oreg.

[Made by J. E. Robertson, cashier of the company.]

Logging camp:	Per day.
Donkey engineers	$3.00
Donkey fireman	2.50
Hook tenders	3.50
Rigging slingers	2.75
Chasers	2.50
Head fallers	3.00
Second faller	2.75
Buckers	2.75
Swampers	2.50
Snipers	2.50
Road men	2.25
Chief engineer (including board)	90.00
Teamsters	2.50
Teamster's hook tender	3.00
Mill:	
Filing room (2 men)	10.00
Room men	2.75
Janitor	2.00
Sawyers	6.00

Mill—Continued.	Per day.
Setters	$2.75
Carriage riders	2.25
First offbearer	2.25
Roll men	2.00
Edgerman	4.00
Edgerman helper	2.75
Tripman	2.25
Timber trimmer	2.50
Engineer (including board)	100.00
Engineer helper	2.25
Fireman	3.75
Oiler, saws, etc	2.25
Machine oiler	2.50
Flume men	2.00
Lumber trimmerman	2.75
Trimmer table	2.25
Millwright	3.75
Night fireman	3.50
Day fireman	3.75

Statement of rates of wages paid by Pacific Timber Company, Everett, Wash.

[Made by Norman Lind, secretary and treasurer of the company.]

Mill:	Per day.
Broom man	$2.00
Carriage man	2.25
Sawyer (band)	4.25
Helper ban	2.25
Helper edger	2.00
Planerman and millwright	4.00
Filer	8.50
Grader	2.50
Tier	2.00
Yardman	2.00
Engineer	3.25
Day fireman	2.25
Night fireman	2.50
Yard foreman	5.00
Edger man	2.50
Shingle mill:	
Tallyman and foreman	3.00
Packers—per thousand	.08½
Sawyers—do	.16
Block piler	2.00
Cut-off man	2.50
Knee bolter	4.00
Camp:	
Engineers	3.25

Camp—Continued.	Per day.
Foreman	$2.50
Buckers	3.00
Skid road man	2.00
Pig man, main road	2.50
Head skidder	3.50
Hook tender (including board)	4.00
Fallers, first	3.50
Fallers, second	3.00
Blacksmith	3.00
Swampers	2.50
Flunkey	2.25
Bull cook	2.25
Signalman	2.50
Choker man	2.25
Camp foreman, per month	150.00
Chaser	3.00
Pump man	1.75
Rigging slinger	2.25
Cooks, husband and wife, per month	100.00

Digitized by Google

EXHIBIT D.

Comparative cost of production in United States and Canada.

[Statement by D. N. Winton.]

MINNEAPOLIS, MINN., *November 17, 1908.*

Mr. A. R. ROGERS,
Minneapolis, Minn.

DEAR SIR: This is to certify that the Thief River Falls Lumber Company, a corporation of Thief River Falls, Minn., has—

	1906.	1907.
Manufactured lumber ..... feet	43,605,868	40,762,150
The cost of manufacturing this lumber, including sawing, sawing supplies, oil, machine shop work, sorting, chain, hauling, piling, stacking, and yard sorting amounted to *	$1.733	$2.223
Sawmill repairs	.303	
Refuse	.05	
Total cost, including refuse and repairs	2.086	
Cost for sorting logs and boom repairs	.199	
Shipping this lumber, including planing-mill repairs, planing supplies, and planing mill	.443	
Shipping	.687	
Cost of selling, including traveling expenses and commission	.067	
Total	1.197	1.195
Total cost	3.482	3.418

The shipments for 1906 averaged $20.16; for 1907, $21.10.

During these two years, 1906 and 1907, the total cut averaged practically 25 per cent of low-grade boards and shorts, by low-grade boards meaning Nos. 4 and 5.

During the year 1907, which are the only figures I have before me, the Prince Albert Lumber Company (Ltd.), of Prince Albert, Saskatchewan, which company has been in operation for three years past, manufactured 34,608,757 feet of lumber; the total cost of manufacture of which, as enumerated above, was $2.409. The shipping of this lumber cost $1.778.

The average price which we received for this lumber at Prince Albert was $21.66. Sales amounted to 25,737,205 feet.

I am, as you know, president of the Prince Albert Lumber Company (Ltd.), with a capacity of 50,000,000 feet; secretary of the Thief River Falls Lumber Company, of Thief River Falls, Minn., with a capacity of from 40,000,000 to 45,000,000 feet; president of the Bemidji Lumber Company, of Bemidji, Minn., with a capacity of 30,000,000 feet, and vice-president of the Northwest Lumber Company, Kalispell, Mont., having a capacity of nearly 20,000,000 feet. My personal holdings in the United States as represented in the above and other companies are several times what my interests are in Canada.

* Does not include cost of stumpage, logging, driving, etc., or cost of logs, which are practically higher in this locality than at most white-pine producing points.

Digitized by Google

It is my opinion that the removal of the tariff would work no unnecessary hardships on the lumber industry in the United States; it might take a short time to readjust the changed conditions, but I believe it would be for the best of the people at large that the tariff on lumber should be abolished.

Yours, truly, D. N. WINTON.

EXHIBIT E.

Cost of manufacture at mill of Stanley-Smith Lumber Company, Hood River, Oreg.

[Statement by F. S. Stanley of that company.]

Our reports from Hood River show that we are manufacturing from 100,000 to 140,000 feet per day, at the following averages:

	Per thousand.
127,000 feet	$1.05
108,000 feet	1.30
133,000 feet	1.06
125,000 feet	1.12

EXHIBIT F.

Comparative cost of production, Washington and British Columbia.

Average cost of logs for month	$6.447
Labor in sawmill per thousand, including all labor on logs from pond to pile in yard	1.87.
Administration, including San Francisco office	.454
Insurance	.25
Taxes	.036
Depreciation	.50
Interest and exchange	.282
Repairs and maintenance	.068
Supplies	.147
Total average cost of rough lumber per thousand in pile in yard	10.054
Dressed lumber—labor, repairs, and supplies	.739
Total cost of dressed lumber	10.793

Cost per thousand of production at Rogers Lumber Company's mill, at Enderby, British Columbia.

This is based on our figures for 1907 and taken from our books:

Logs delivered at the mill	$6.50
Sawing and putting in pile	3.92
Taking the lumber from pile and loading on cars	.12
General expense including salaries, interest, and taxes	3.17
Total	13.71

In 1908, owing to having changed our method of operation to some extent, we have reduced our cost:

Logs delivered at the mill	$6.50
Sawing and putting in pile	2.89
Taking the lumber from pile and loading cars	.15
General expense, including salaries, interest, and taxes	3.05
Total	12.59

Cost at British Columbia mill $1.80 per thousand more than at Washington mill.

Digitized by Google

EXHIBIT G.

Lumber output and shipments of British Columbia coast lumber manufacturers for 1907.

	Feet.
Total cut	475,000,000
Total shipments, foreign	70,000,000
Total shipments, rail, East	191,000,000
Balance, local consumption.	
Stock on hand, coast, January, 1908	110,000,000

NOTE.—Shipments by rail include all lumber sold to railways, Dominion government works, etc., and to the trade in eastern Canada.

EXHIBIT H.

ITHACA, N. Y., *November 12, 1908.*

Hon. SERENO E. PAYNE, M. C.
Chairman Ways and Means Committee, Washington, D. C.

DEAR SIR: Having been informed that the lumber associations of Washington and Oregon will be represented before the Ways and Means Committee at Washington, D. C., on November 20 next and make remonstrance against the reduction or removal of duty imposed on lumber coming from Canada into the United States, and claiming for reason that they are unable to compete with lumber manufactured in British Columbia without such protection, I inclose for your information the northwest cargo statistics, compiled by these associations, covering fourteen years' shipments from Washington, Oregon, and British Columbia, which plainly shows what Washington and Oregon have been able to do in world-wide markets and competition without tariff protection.

Upon examination you will find that Washington and Oregon increased their shipments from 131,055,817 feet foreign in 1895 to 363,372,088 feet foreign in 1907, or nearly three times as much in 1907 as in 1895, while British Columbia increased from 40,745,270 feet foreign in 1895 to 67,193,209 feet in 1907, or less than twice as much in 1907 as in 1895, and in markets where British Columbia had equal facilities for competition with Oregon and Washington.

It is evident that if Washington and Oregon have competed successfully with British Columbia so long in foreign markets without a protective duty, they are able to do so at home.

It can be easily verified that these shipments were a very large percentage of the total production of the coast mills of these respective districts, and would not have been made by Washington and Oregon if the eastern rail trade, protected by the tariff, had been more profitable, as nearly all of the coast export mills have equal advantage with other mills for rail shipments to eastern markets and engage in both export and domestic trade.

It is also well known that Washington mills have shipped largely by rail to Winnipeg and points west in Canada for many years, and many delegations and petitions have been sent by British Columbia lumbermen to Ottawa, asking that the same duty on common dimension lumber now charged upon Canadian lumber coming into the

Digitized by Google

United States be charged upon the same grades coming into Canada from the United States, but it has always been refused by the Dominion government. The duty on rough lumber not planed coming into this country is $2 per thousand feet, but if planed on one side and edge like common dimension, it is $3 per thousand feet. Canada admits both grades free.

The duty imposed is not reasonable protection, but a prohibitive tariff, which is plainly shown under the table inclosed of domestic water shipments for the same period, which were subject to the duty, where it is seen that British Columbia shipped, in 1895, 13,602,811 feet, principally to California, and comparatively nothing since, although British Columbia coast mills shipped 261,000,000 feet in 1907, of which about 75 per cent was shipped by rail east into Canada and 25 per cent exported by water to foreign countries, or about 70,000,000, of which only about 3,000,000 came to the United States.

Trusting that this information may be of use to you in your investigations, I beg to remain,

Yours, very respectfully,

EDGAR H. BUCKLIN,
205 West Green Street, Ithaca, N. Y.

Digitized by Google

Pacific coast cargo lumber statistics.

[From Pacific Coast Lumberman.]

Shipped from—	Foreign.							
	Australia.	South America.	China and Japan.	Mexico and Central America.	United Kingdom and Europe.	Africa.	Other foreign ports.	Total foreign.
Washington [a]	28,313,923	21,818,502	4,578,026	6,090,633	6,685,718	5,765,419	3,709,763	76,961,984
British Columbia	6,115,095	12,595,886	2,670,396	2,370,560	8,753,019	.....	1,757,593	34,262,549
Totals, 1894	34,429,018	34,414,388	7,248,422	8,461,193	15,438,737	5,765,419	5,467,356	111,224,533
Washington and Oregon	43,755,751	32,139,555	12,632,650	6,716,288	5,504,544	28,092,765	2,214,264	131,055,817
British Columbia	5,874,958	6,103,311	4,868,154	5,367,032	5,558,711	9,548,324	3,424,780	40,745,270
Totals, 1895	49,630,709	38,242,866	17,500,804	12,083,320	11,063,255	37,641,089	5,639,044	171,801,087
Washington and Oregon	44,821,574	34,517,203	22,499,767	13,007,364	9,485,450	11,242,086	9,579,665	145,153,109
British Columbia	17,861,699	11,002,786	15,550,324	1,523,140	9,686,917	3,834,830	3,084,216	62,543,912
Totals, 1896	62,683,273	45,519,989	38,050,091	14,530,504	19,172,367	15,076,916	12,663,881	207,697,012
Washington and Oregon	46,242,383	25,973,758	35,991,494	9,345,469	16,788,593	8,488,531	10,849,559	153,679,787
British Columbia	22,049,732	6,972,620	12,993,963	3,400,000	8,212,156	8,010,667	649,038	62,288,176
Totals, 1897	68,292,115	32,946,378	48,985,457	12,745,469	25,000,749	16,499,198	11,498,597	215,967,963
Washington and Oregon	37,147,070	19,215,654	17,940,132	7,864,463	2,265,361	9,142,345	13,318,016	106,893,041
British Columbia	24,993,799	5,928,008	7,755,827	4,890,000	4,408,800	5,886,004	1,272,165	55,134,603
Totals, 1898	62,140,869	25,143,662	25,695,959	12,754,463	6,674,161	15,028,349	14,590,181	162,027,644
Washington and Oregon	40,877,578	24,969,909	34,658,624	8,201,082	7,409,871	12,041,828	9,070,098	137,228,990
British Columbia	17,990,322	5,399,924	14,901,607	286,136	907,546	6,238,470	3,408,303	49,132,308
Totals, 1899	58,867,900	30,369,833	49,560,231	8,487,218	8,317,417	18,290,298	12,478,401	186,361,298
Washington and Oregon	56,902,139	34,556,276	33,448,227	9,488,801	8,433,967	12,284,414	4,828,839	159,942,663
British Columbia	31,783,542	8,739,125	4,092,212	105,301	24,676,937	5,117,672	466,724	74,981,513
Totals, 1900	88,685,681	43,295,401	37,540,439	9,594,102	33,110,904	17,402,086	5,295,563	234,924,176

Digitized by Google

Washington and Oregon	55,428,427	39,675,154	46,762,371	12,898,321	7,473,299	21,793,210	14,370,573	198,401,355
British Columbia	22,922,452	14,648,804	12,702,692	82,599	10,121,532	3,926,620	3,081,391	67,486,090
Totals, 1901	78,350,879	54,323,958	59,465,063	12,980,920	17,594,831	25,719,830	17,451,964	265,887,445
Washington	38,578,962	38,159,699	19,658,317	9,701,520	6,277,973	27,145,177	10,563,946	150,085,594
Oregon	2,089,411	2,193,265	28,613,841	3,095,625	.....	3,839,737	290,977	40,122,859
British Columbia	20,631,920	9,284,552	4,614,192	.....	9,168,616	9,830,463	2,155,265	55,685,008
Totals, 1902	61,300,293	49,637,516	52,886,350	12,797,145	15,446,589	40,815,377	13,010,188	245,893,458
Washington	72,230,804	53,972,673	34,679,762	8,522,877	14,569,040	37,069,332	2,943,777	223,989,265
Oregon	2,346,465	6,063,723	35,708,590	.....	1,792,083	7,828,145	2,083,308	55,822,314
British Columbia	5,155,175	10,118,027	6,965,831	275,345	14,653,600	22,104,484	2,966,232	62,238,694
Totals, 1903	79,732,444	70,155,423	77,354,183	8,798,222	31,014,723	67,001,961	7,993,317	342,050,273
Washington	50,946,307	11,768,443	16,930,822	6,632,564	4,602,020	10,699,800	84,565,039	186,144,995
British Columbia	7,699,076	11,373,793	5,705,361	.....	8,076,286	.....	322,728	33,177,244
Oregon	4,530,981	.....	22,031,811	.....	.....	2,638,652	2,971,292	29,172,736
Totals, 1904	63,176,364	23,142,236	44,667,994	6,632,564	12,679,306	13,338,452	87,859,059	248,494,975
Washington	40,622,367	66,797,905	47,489,889	14,830,875	17,181,161	14,108,392	3,216,706	201,030,589
British Columbia	13,910,784	11,970,963	4,838,004	.....	14,781,264	4,156,980	153,935	49,811,930
Oregon	8,838,578	4,195,477	32,795,225	.....	3,153,832	7,075,976	1,795,102	57,854,190
Totals, 1905	63,371,729	82,964,345	85,123,118	14,830,875	35,116,257	25,341,348	5,165,743	308,696,709
Washington	63,269,733	87,580,794	31,593,172	17,850,130	10,225,575	7,784,498	3,047,814	221,351,716
British Columbia	23,937,218	26,623,607	4,595,753	.....	9,413,870	8,604,204	6,002,210	*79,176,862
Oregon	23,069,027	5,556,644	69,706,171	201,856	9,533,073	.....	4,460,147	112,526,918
Totals, 1906	110,275,978	119,761,045	105,895,096	18,051,986	29,172,518	16,388,702	13,510,171	413,095,496
Washington	59,621,663	109,098,714	35,282,855	35,954,438	9,355,806	3,297,710	10,109,350	262,720,536
British Columbia	24,336,690	20,687,819	5,617,248	559,022	9,209,422	1,595,075	5,187,932	67,193,208
Oregon	31,529,600	7,482,290	56,963,238	2,205,096	2,471,328	.....	.....	100,651,552
Totals, 1907	115,487,953	137,268,823	97,863,341	38,718,556	21,036,556	4,892,785	15,297,282	430,565,296
Grand total fourteen years' water shipments	996,425,205	787,185,853	747,836,548	188,466,537	280,838,370	319,191,810	227,920,753	3,547,711,155

* Panama and New York shipments included.

Digitized by Google

Pacific coast cargo lumber statistics—Continued.

Shipped from—	Domestic.					Total.
	Philippine Islands.	Hawaiian Islands.	Alaska.	California.	Total domestic.	Total water shipments.
Washington		11,549,355		309,799,933	321,349,288	393,311,272
British Columbia				1,929,589	1,929,589	36,192,138
Totals, 1894		11,549,355		311,729,522	323,278,877	434,503,410
Washington and Oregon		15,484,496		394,493,048	409,977,544	541,033,361
British Columbia				13,602,811	13,602,811	54,348,081
Totals, 1895		15,484,496		408,095,859	423,580,355	595,381,442
Washington and Oregon		20,799,855		354,226,472	375,026,327	520,179,426
British Columbia				1,461,012	1,461,012	64,004,924
Totals, 1896		20,799,855		355,687,484	376,487,339	584,184,360
Washington and Oregon		26,798,584		347,298,269	374,096,853	527,776,640
British Columbia						62,288,176
Total, 1897		26,798,584		347,298,269	374,096,853	590,064,816
Washington and Oregon		32,681,968		346,494,388	379,176,352	486,069,393
British Columbia						55,134,603
Total, 1898		32,681,968		346,494,388	379,176,352	541,203,996
Washington and Oregon	3,724,373	59,166,907		379,656,816	442,548,096	579,777,096
British Columbia						49,132,298
Total, 1899	3,724,373	59,166,907		379,656,816	442,548,096	628,909,394
Washington and Oregon	3,875,190	59,540,163	29,004,031	370,258,913	462,678,297	622,620,960
British Columbia						74,981,513
Total, 1900	3,875,190	59,540,163	29,004,031	370,258,913	462,678,297	697,602,473
Washington and Oregon	16,601,262	47,231,366	8,835,140	403,245,540	475,913,308	674,314,663
British Columbia			170,260		170,260	67,656,350
Totals, 1901	16,601,262	47,231,366	9,005,400	403,245,540	476,083,568	741,971,013

Digitized by Google

Washington	6,177,622	25,670,016	8,727,593	457,763,733	498,338,964	648,424,558
Oregon	3,991,127	2,614,507	273,938	148,339,249	155,218,821	195,341,677
British Columbia	.....	.....	1,000,000	.....	1,000,000	56,685,008
Totals, 1902	10,168,749	28,284,523	10,001,531	606,102,982	654,557,785	900,451,243
Washington	35,632,709	22,571,671	8,577,456	456,544,333	523,326,169	747,315,434
Oregon	9,599,000	.....	.....	87,720,000	97,319,000	153,141,314
British Columbia	.....	.....	.....	.....	.....	62,238,694
Totals, 1903	45,231,709	22,571,671	8,577,456	544,264,333	620,645,169	962,695,442
Washington	6,737,016	10,793,690	92,461,178	454,113,027	480,889,911	667,034,906
British Columbia	.....	.....	.....	.....	.....	33,177,244
Oregon [b]	10,562,154	1,544,580	.....	135,190,337	147,297,071	176,469,807
Totals, 1904	17,299,170	12,338,270	92,461,178	589,303,364	628,186,982	876,681,957
Washington	5,424,104	19,683,606	2,147,447	595,240,580	622,495,737	826,743,032
British Columbia	.....	.....	.....	.....	.....	49,811,930
Oregon	7,154,986	1,043,000	215,000	145,154,351	153,567,337	211,421,527
Totals, 1905	12,579,090	20,726,606	2,362,447	740,394,931	766,063,074	1,087,976,489
Washington	8,498,420	27,578,065	14,513,353	811,218,380	[c] 879,249,420	1,100,601,136
British Columbia	.....	.....	.....	797,868	.....	79,974,730
Oregon	7,172,697	25,800	.....	267,442,285	274,442,285	387,167,700
Totals, 1906	15,671,117	27,603,065	14,513,353	1,079,459,333	1,154,688,070	1,567,743,566
Washington	6,005,870	22,801,221	21,957,775	774,141,145	830,128,486	1,092,849,022
British Columbia	.....	.....	.....	.....	.....	67,193,208
Oregon	4,639,505	1,783,261	.....	240,359,832	249,596,340	350,247,892
Totals, 1907	10,645,375	24,584,482	21,957,775	1,014,500,977	1,079,724,826	1,510,290,122
Grand total fourteen years' water shipment	135,796,035	409,361,311	188,196,022	7,496,492,711	8,229,846,079	11,777,711,155

[a] Addendum: Oregon made no foreign shipments in 1894. Net included above east coast United States 4,881,659
Shipments by Quartermaster's Department to Manila 14,559,485
Domestic unclassified shipments 21,634,742

Complete total fourteen years' water shipments 11,818,787,041

[b] Eleven months only.

[c] San Francisco shipments not included.

Digitized by Google

EXHIBIT I.

MINNEAPOLIS, MINN., *November 17, 1908.*

Mr. A. R. ROGERS,
Minneapolis, Minn.

DEAR SIR: After giving subject of tariff on lumber more thought, it occurs to me that our business—that of operating retail lumber yards throughout the Northwest—would be affected by the removal of the tariff on lumber by giving us a large field from which to purchase our supplies, and no doubt the cost price to us would be somewhat reduced, the consumers getting the benefit, as our prices to the consumers are based entirely upon cost to us.

Besides, we would have more railroads accessible to base of supplies, which would insure much better service, and our cost prices, as well as prices to consumers, would be based entirely upon supply and demand of the material in which we deal, whereas for three years preceding 1908, we believe, prices to us were considerably increased by inadequate railroad facilities.

Yours, truly,

GEO. P. THOMPSON, *Manager.*

THE SOUTHERN CYPRESS MANUFACTURERS' ASSOCIATION, NEW ORLEANS, LA., OPPOSES REDUCTION OF LUMBER DUTIES.

NEW ORLEANS, LA., *December 8, 1908.*

Hon. SERENO E. PAYNE,
Washington, D. C.

DEAR SIR: I beg to inclose herewith copy of a resolution, which was unanimously adopted by the members of this association at their semiannual meeting, in Savannah, Ga., November 24, 1908.

Very truly, yours,

GEO. E. WATSON, *Secretary.*

RESOLUTIONS ADOPTED BY THE SOUTHERN CYPRESS MANUFACTURERS' ASSOCIATION AT SAVANNAH, GA., NOVEMBER 24, 1908.

Whereas the present duty on lumber of $2 per thousand amounts only to an ad valorem tariff of about 12 per cent, in comparison with 40 per cent on iron and steel, 32 per cent on cement, and 45 per cent on building stone, all of which enter largely into competition with lumber for construction purposes; and

Whereas this 12 per cent ad valorem tariff on lumber is already so much lower than all other articles coming into competition with it that the amount in reality amounts only to a tariff for revenue: Therefore be it

Resolved by the Southern Cypress Manufacturers in convention assembled, That, as business men, we here and now register our most solemn protest against any appeal or modification of the lumber schedule in Dingley tariff, on the ground that it is already reduced to the basis of a revenue tariff, and therefore needs no further revision.

Resolved (2), That our Senators and Representatives in Congress be, and are hereby, requested to use all reasonable means to prevent any repeal of the present lumber tariff, and thereby conserve the best interests of their constituents at home, who are bearing their full share of the burden of taxation and other responsibilities.

Digitized by Google

Resolved (3), That we renew our pledge and support to the Forestry Department and call upon the officers of that department to cooperate with us in not only reforesting our cut-over lands, but at the same time to further cooperate with us in the enhancement of our timber after it is grown, by the enactment at this time of such legislation as will protect our present as well as prospective holdings from the cheap lumber of Canada and other foreign countries, as produced by Hindoo, Chinese, and Japanese labor, from stumpage costing 50 cents to $1 per thousand, in comparison with $2.50 to $4 and $5 per thousand in the United States, where labor costs from $1.25 to $2.25 per day, as against 80 cents to $1.20 per day for foreign labor.

Resolved (4), That our governors in the Southern States, who compose in part the American Conservation Congress, be, and they are hereby, urgently requested to investigate for themselves and to use their good offices in our behalf at the approaching meeting of that body in Washington next month, to prevent this threatened injustice to the South's second greatest industry, since the South now produces practically one-half of all the lumber produced annually in the United States.

HON. D. J. FOSTER, M. C., SUBMITS LETTER OF THE SHEPARD & MORSE LUMBER COMPANY, OF BURLINGTON, VT.

BURLINGTON, VT., *December 8, 1908.*

Hon. D. J. FOSTER,
Washington, D. C.

DEAR SIR: In view of the fact that Congress is about to act on the revision of the tariff and that the committee appointed by Congress are now hearing the various complaints, etc., we beg leave to offer our views on the subject and believe they are in accordance with the manufacturers throughout a very wide section of the country. We think the duty should be removed from rough lumber imported from Ontario, Quebec, and the eastern Provinces, but, as our Northwest has large virgin forests, we believe in their protection from the lumber coming in from British Columbia, such as cedar, fir, etc. We would recommend the duty on dressed lumber be advanced to where the labor should be performed on this side of the line. The present duty on dressed lumber is so low that a great many large dressing mills are starting up in Canada, dressing lumber and shipping to this country, from the fact that the duty on dressed lumber is so very low that they can afford to pay the duty and make money; for instance, 1,000 feet of dry pine or spruce will weigh 2,500 pounds; if planed one side, it will weigh about 2,000 pounds, a reduction of 500 pounds to the thousand feet. As the average rate to New England or New York points of 18 cents per hundred equals 90 cents per thousand feet, the duty for dressing lumber at present is only 50 cents per thousand feet, leaving a balance in favor of the Canadians of 40 cents per thousand feet; and this is not all, as they are not obliged to pay as high wages as we do for performing the work on this side of the line.

It seems clear that our Government should not only protect the forests, but it should protect its labor as well. Canada imposes a duty of 25 per cent ad valorem on dressed lumber shipped from this country, which protects its labor, so that it is impossible to ship dressed lumber into Canada, and we believe we should have the same protection; otherwise the mills on this side of the line that are now dressing Canadian lumber will soon have to close and remove to Canada, which would throw out of employment thousands of American workmen.

Digitized by Google

We think the whole thing is wrong from the United States point of view and that the new tariff should furnish free raw material (rough lumber) and give better protection to the manufactured article (dressed lumber), and in that way give more employment to American workmen. The time is near at hand when this country must look to Canada for its rough pine and spruce, and in our opinion if the duty was removed now it would greatly protect our forests and the consumer would also be benefited thereby. We trust that you will give this matter your careful consideration and do all you can to help us.

Yours, truly, SHEPARD & MORSE LUMBER CO.,
E. W. PARKHILL, *Manager.*

A letter from the J. R. Booth Lumber Company, Burlington, Vt., similar in purport to the above was also filed by Mr. Foster.

ADDITIONAL STATEMENT MADE BY H. H. TIFT, OF TIFTON, GA., RELATIVE TO THE LUMBER SCHEDULE.

SATURDAY, *December 19, 1908.*

Mr. TIFT. Mr. Chairman, I am here in response to your invitation to appear before this committee, and I am here, sirs, at your service.

The CHAIRMAN. One of the members of the committee asked to have you invited to come here on the subject of lumber, or timber, or both.

Mr. BOUTELL. Judge Griggs, of Georgia, gave his name to the committee.

The CHAIRMAN. And Judge Griggs seems to be out of town.

Mr. TIFT. I regret very much that the judge is not here this morning, for I was in hopes of meeting him here.

The CHAIRMAN. The question is whether the duty should be kept upon lumber. I do not know which side of that proposition you are on, but——

Mr. TIFT. I am in favor of maintaining the present duty on lumber.

The CHAIRMAN. The committee would like to hear from you any facts or argument you have in behalf of that proposition.

Mr. TIFT. As you will remember, I appeared before the committee on November 20 and gave my testimony upon this same question. I can state briefly what it was, although possibly it will be a repetition of some things I said at that time.

The CHAIRMAN. I am very sorry that Mr. Griggs is not here to question you.

Mr. CRUMPACKER. There is one thing that I think Mr. Griggs suggested in connection with summoning Mr. Tift, and that is as to the timber lands being owned by large corporations—the extent to which corporations have bought up timber lands and own them.

Mr. TIFT. In regard to that matter, in the State of Georgia there are no very large bodies of timber owned by corporations. The yellow-pine section of Georgia is owned very largely by individual owners.

Mr. CRUMPACKER. What do you mean by "large bodies;" that is a relative term?

Digitized by Google

Mr. TIFT. I will endeavor to explain. I think there are very few tracts to exceed, say, 50,000 acres that are owned by any one individual or corporation. I have not in mind just now any particular tract larger than that owned by any one corporation.

Mr. CRUMPACKER. You are a member of several corporations, are you?

Mr. TIFT. Lumber corporations?

Mr. CRUMPACKER. Lumber corporations.

Mr. TIFT. Only two or three, sir. I am a member of the Dowling Lumber Company, a corporation of Florida, and I am a member of the Adel Lumber Company, a small corporation in Georgia. They have small holdings; a small mill site; and I am also a member of the Ensign-Oskamp Company.

Mr. CRUMPACKER. How much land or timber do the corporations that you are a member of own?

Mr. TIFT. The Dowling Lumber Company, which is a Florida corporation, owns about 200,000 acres of timber. The situation in Florida is different from the situation in Georgia. There are more large holdings of timber in Florida by corporations.

Mr. CRUMPACKER. Is it true that the corporations own the bulk of the timber in Florida?

Mr. TIFT. I think that is true to a pretty large extent, sir. The Consolidated Naval Stores Company, at Jacksonville, have large holdings of timber.

Mr. CRUMPACKER. Now, as to the other corporations in which you are interested; how much land do they own?

Mr. TIFT. The larger corporations?

Mr. CRUMPACKER. Yes.

Mr. TIFT. The Adel Lumber Company is one of the corporations. I stated that that is a small corporation, and they own something like 10,000 acres of timber.

Mr. CRUMPACKER. And the other one?

Mr. TIFT. That one is going out of business.

Mr. CRUMPACKER. What is the fact as to corporations organized in northern States and having large timber interests in Georgia and other southern States?

Mr. TIFT. I recall only one northern corporation in Georgia, and that is a corporation that has been organized recently that owns the swamp down at Way Cross—the Hebbard interests, I think.

Mr. CRUMPACKER. How large a tract does that corporation own?

Mr. TIFT. I think it is a large tract, but I could not give you the exact acreage. They own the whole of the Okefenoke Swamp.

Mr. CRUMPACKER. Can you approximate the extent of their holdings there?

Mr. TIFT. No, sir. I ought to know what is in that swamp, but I do not.

Mr. CRUMPACKER. Would it go up into the hundreds of thousands of acres?

Mr. TIFT. I think it would cover 100,000 acres.

Mr. CRUMPACKER. Then, individuals have been buying large tracts there in recent years, have they not?

Mr. TIFT. Do you mean in Georgia?

Mr. CRUMPACKER. Yes.

Digitized by Google

Mr. TIFT. I do not think it is a rule in Georgia. I think few large tracts are owned by individuals.

Mr. CRUMPACKER. It is still in the hands of small owners to a large extent?

Mr. TIFT. Yes, sir. The Georgia timber has been pretty largely cut over. They have been lumbering in Georgia for forty years. I have been lumbering in Georgia myself for thirty-six years.

Mr. CRUMPACKER. You say that the land has been pretty well cut over. Is the supply nearly exhausted in Georgia?

Mr. TIFT. What I would call the virgin supply is pretty well exhausted; yes, sir.

Mr. CRUMPACKER. The good timber has been cut out?

Mr. TIFT. Largely; still there is a great deal of what we call "cut over" timber that will produce a large quantity of lumber for many years to come. But the virgin timber has been largely cut out.

Mr. CRUMPACKER. What kind of timber is it, yellow pine?

Mr. TIFT. Part of it is yellow pine, some spruce out near the coast.

Mr. CRUMPACKER. How long does it take yellow pine to grow to a merchantable size?

Mr. TIFT. Well, sir, it is a very slow growth. If you are going to plant a yellow-pine tree, I do not think it would become a tree, say, from 14 to 18 inches diameter at the trunk—I think it would take fifty years in the ordinary growth, although something might be done to accelerate it in some way.

Mr. CRUMPACKER. In what kind of soil does the pine grow; is it used for farming purposes?

Mr. TIFT. Yes, sir. Take the section that I am located in, that is Tifton, Ga., 130 miles from the coast. I think we have the finest farming section in that region in Georgia.

Mr. CRUMPACKER. Are they cleaning up the pine lands and converting it into farms?

Mr. TIFT. Yes, sir. For instance, when I went to what was then Marion County, now Tift County, thirty-six years ago, the whole country was a fine forest. There was not a town within 40 miles of Tifton, where I was located, though you would find a settlement occasionally—log houses 5 or 10 miles apart.

Mr. CRUMPACKER. Are you acquainted with conditions in North Carolina, generally?

Mr. TIFT. No, sir; only from what I hear on the outside. I have never been through that region.

Mr. CRUMPACKER. There is a good deal of timber in that State?

Mr. TIFT. Yes, sir; but I think the conditions in South Carolina are somewhat similar to Georgia.

Mr. CRUMPACKER. That is, the good timber has been largely cut off?

Mr. TIFT. That is my impression; I am quite sure that is correct.

Mr. CRUMPACKER. And that is also true of North Carolina?

Mr. TIFT. I think so; yes, sir.

Mr. CRUMPACKER. Where is the large and valuable timber in the South?

Mr. TIFT. Well, in the eastern section it is largely in Florida; that is, the virgin timber. You might say practically the whole area of the State of Florida is a timber section.

Digitized by Google

Mr. CRUMPACKER. And that is largely owned by big timber or lumber corporations?

Mr. TIFT. There are some large corporations, but I do not think there are more than, possibly, half a dozen to a dozen that own very large bodies; what I would call a large body, 100,000 acres, or more than that.

Mr. CRUMPACKER. There is considerable timber in Tennessee?

Mr. TIFT. I am not familiar with conditions in Tennessee.

Mr. CRUMPACKER. Are you familiar with conditions in Alabama?

Mr. TIFT. No, sir; except what I learn; I have never been through there.

Mr. CRUMPACKER. Are you familiar with Mississippi or Louisiana?

Mr. TIFT. I think there are large bodies of virgin timber in those States—more than in Georgia, but perhaps no more than in Florida.

Mr. CRUMPACKER. The timber land has gone up in value greatly in the last ten years in the South, has it not?

Mr. TIFT. Yes, sir.

The CHAIRMAN. And what you want of this duty is to keep up that value, is it not?

Mr. TIFT. Well, we want to keep the duty; one of the reasons is to protect the markets that we have.

The CHAIRMAN. Against what?

Mr. TIFT. Our principal competition would be the competition of the Canadian lumber.

The CHAIRMAN. How much Georgia pine do you export to Canada to-day?

Mr. TIFT. A very small amount. We ship some car sills and high-grade lumber to Canada.

The CHAIRMAN. I am told that quite a large amount is shipped to Canada. I am told that by a Canadian senator, from whom I expect to get some figures in a few days. I am told that quite a large amount of Georgia pine—not all coming from Georgia, but pine from the South—is shipped in there.

Mr. TIFT. I have shipped to Canada, myself, in the last six months, but it has only been a certain class of material.

The CHAIRMAN. You shipped it there because you could get bigger prices than elsewhere?

Mr. TIFT. No, sir; if you will let me explain——

The CHAIRMAN. Do you get as much?

Mr. TIFT. Yes; we get as much. The lumber shipped to Canada is largely railroad——

The CHAIRMAN. And still you want protection from the lumber of Canada?

Mr. TIFT. Yes, sir.

The CHAIRMAN. Although you are able to ship it that distance, and get as much for it as you do in the States?

Mr. TIFT. But, if you will permit me, I would like to explain why that condition exists to-day. The lumber we are shipping to Canada is only two or three classes of lumber—the railroad car sills, and car sidings, and car framing. I do not know any other class of lumber being shipped into Canada.

The CHAIRMAN. I am told that boards—side lumber—is shipped to Canada from the Georgia pine district.

Digitized by Google

Now, there is another question, although I do not know whether it bears very strongly on this question; I never thought it did in my endeavors to adjust the tariff; but it is a curious circumstance, and I would like to know why you people in the South are always here asking for the highest rates of duty, and yet all of the time voting for the lowest rates of duty. Can you explain that little inconsistency among your people?

Mr. TIFT. Mr. Chairman, for myself I want to say that I did not vote that way.

The CHAIRMAN. Well, I am glad to find one; but why is it that most of your people vote that way, and yet they come here and ask for the very highest protection? There is no section in the whole United States asking for as high protection as you people of the South, and why is it that you vote the other way?

Mr. TIFT. Mr. Chairman, the record shows that Mr. Taft got something over 40,000 votes in Georgia.

The CHAIRMAN. Forty thousand—well, he ought to have had an overwhelming majority, considering the number of your people who are asking for protection.

Mr. TIFT. Mr. Chairman, there was no campaign made in Georgia for Mr. Taft, and it is my firm belief that if there had been and the people had been educated—we have to educate our people, you know——

Mr. CRUMPACKER. Mr. Tift, lumber has gone up in price materially in the last ten years, has it not?

Mr. TIFT. Well, it has; but in a sense it has not.

Mr. CRUMPACKER. It has gone up enormously in price; lumber is a good deal higher than it was ten years ago, and that principally because of the scarcity of the lumber, is it not—the cutting out of forests?

Mr. TIFT. In a way; yes, sir.

Mr. CRUMPACKER. The necessity of hauling it longer distances to the markets has largely caused it, and it never will be low again, will it? You never expect it to be lower, do you?

Mr. TIFT. Well, I want to say that in the fall of 1904 lumber was lower than it has been at any time within twenty-five years; it was lower than it was in the panic year.

Mr. CRUMPACKER. Now, if the tariff should be taken off of lumber, would it be cheaper in this country, do you think?

Mr. TIFT. Well, I don't know that it would. It is not a question of price altogether, but a question of markets.

Mr. CRUMPACKER. You do not know whether the removal of the tariff would lower the price?

Mr. TIFT. No, sir; that would be a question. I think it would be an open question.

Mr. CRUMPACKER. Then you would have the same market and substantially the same prices?

Mr. TIFT. No, sir. Where we fear that the taking off of the tariff would injure us in the South is that our market is very largely in New York, New England, Pennsylvania, New Jersey, and that section. The lumber goes into that territory very largely in sailing vessels from the ports of Brunswick, Savannah, Jacksonville, Fernan-

Digitized by Google

dina, and those ports. When we get into the eastern markets we get into direct competition with the Canadian lumber, the spruce, and we fear that. Our problem is, as I stated when I was here the other day, to market our low-grade lumber. That is where the foreign competition affects us. We can market the high-grade lumber, and we do not fear the Canadian competition in high-grade lumber. But our problem is to market our low-grade lumber and to utilize everything in the tree. As I stated when I was here the other day, when I commenced lumbering, in 1872, we only got from 2,000 to 2,500 feet of lumber to the acre. We had no kilns, no planing mills, no lath, or shingle mills. We simply took the best part of the tree and worked the heart lumber out of it. The balance was left in the woods, to be burned and destroyed. That same acreage to-day, with the improvements in the market and methods of making lumber, will cut 10,000 feet of lumber to the acre. The effect of the marketing of the low-grade lumber is to prolong the life of the mills, conserve our forests, and make stumpage more valuable—make it to the interest of the owner to protect it—and it adds to the prosperity of our whole section. There are very large amounts of timber all over Georgia that is owned and held by the farmer.

The CHAIRMAN. Is labor cheaper in Georgia than in the Northern States?

Mr. TIFT. The negro labor is; yes, sir.

The CHAIRMAN. The labor that you have there is cheaper; wages are much less, are they not?

Mr. TIFT. Yes; negro labor, but as to white labor, I do not think there is very much difference. In our common labor we use negroes largely.

The CHAIRMAN. And the pay for that is less than the white labor?

Mr. TIFT. I think so. The pay for our negro labor ranges all the way from $1 to $2 a day. On that wage scale we furnish our men with houses without any rent, and with fuel.

The CHAIRMAN. About how high do you think the Georgia pine ought to go before you get to the point where you do not need protection?

Mr. TIFT. As I said just now, it is not a question of price, it is a question of markets. Of course, we have got to have a price that would give us a margin over and above our cost of manufacture.

The CHAIRMAN. How far do you think you ought to go in the way of denuding the forests of the South before you have sufficient margin in this country to get along without the protection of $2 a thousand on lumber?

Mr. TIFT. I want to say, in the matter of denuding the forests, that I stated the other day that we are up against the turpentine proposition. Practically all of the timber in Georgia has been boxed for turpentine. After it goes through that process it is subject to fires, and unless we can bring the value of that timber where our farmers and holders will protect it, it is going to be destroyed. It is being destroyed, millions of feet of it—millions of feet deadened and cut down by farmers every year.

The CHAIRMAN. The only competition that you know anything about, or feel in your business, is competition from what lumber there is left in the North, is it not?

Digitized by Google

Mr. TIFT. Now, I want to say that we have competition all around us. We have competition in Canada, Nova Scotia, and British Columbia. On the south we have competition in Mexico and British Honduras, and that competition is at our doors. It seems to me that if the principle of a tariff, either for revenue or protection, is to be considered, that the lumber industry certainly is in need of as much as any industry in this country, because our competition is at our doors; we are surrounded by it.

The CHAIRMAN. But in the face of all this competition, the value of stumpage has gone up in the past ten years how much?

Mr. TIFT. The value of stumpage has gone up considerably, sir.

The CHAIRMAN. Double?

Mr. TIFT. Yes, sir; in some sections it has doubled, and in some sections I think it has trebled.

The CHAIRMAN. And there is nothing to send that up excepting the question of supply and demand, is there?

Mr. TIFT. Well, sir, there are other questions that enter into that. There is a great deal of stumpage that is bought based upon future value, the gradual diminution of the forest supply, and all of those features. For instance, to show the evolution in the lumber business, when I went to Georgia thirty-six years ago I bought a great deal of timber land at 40 cents an acre.

The CHAIRMAN. Then a great deal of the advance has been on speculation?

Mr. TIFT. I bought the land that the city of Tifton is located on now at $1 an acre.

The CHAIRMAN. And speculation takes into account the severe competition which you have with Canada?

Mr. TIFT. Well, I do not know that it is a question of speculation. For instance, to illustrate the advance in value, and the advances in timber values all along the line, I bought the land that the city of Tifton now stands on at $1 per acre.

The CHAIRMAN. Do you send the Georgia pine to Mexico as well as Canada?

Mr. TIFT. No, sir; I do not know of any Georgia pine, excepting possibly in the Beaumont (Tex.) district—there may be lumber exported to Mexico, but none from Georgia; no, sir.

Mr. BOUTELL. Were you in the lumber business before you went to Georgia?

Mr. TIFT. No, sir.

Mr. BOUTELL. How are the men paid in the Georgia and Florida mills—the colored employees?

Mr. TIFT. We have a monthly pay day, and in addition to that the men get their supplies as they want them.

Mr. BOUTELL. Do you pay in cash or in script?

Mr. TIFT. Pay in cash.

Mr. BOUTELL. The reason I ask is that in 1875 I visited what was then said to be the largest lumber mill in the South, upon Perdido Bay, in western Florida, on the border line between Florida and Alabama; and I found industrial conditions there then the like of which I have never seen anywhere else. The company owned a supply store, and the men were all paid exclusively in some kind of script which was redeemable at that store in supplies. They got no cash at all. Does that system prevail still in Florida, do you know?

Digitized by Google

Mr. TIFT. No, sir; it does not. We have a system of paying negro labor—we pay every month. We have to keep a commissary at a sawmill; it is a necessity. Our negroes in trading with the commissary are given checks instead of keeping an open account with them, which is unsatisfactory. A negro will spend a dollar here and 50 cents there, and at the end of the month he will dispute his account always. We give him a dollar check, say, and he trades that out—it is a punched check. He is under no obligations to trade at the commissary. We simply use that check system as the most satisfactory system of keeping the accounts. Those checks are charged up to the hand, and he trades them out. At the end of the month those checks go into his account, and the wages are credited, and he draws his pay. Then, during the month he gets money for special purposes; that is given to him; we pay it to him.

Mr. BOUTELL. That is, it is optional with the employee whether he takes the scrip or returns it?

Mr. TIFT. Entirely.

Mr. GAINES. But you do not mean that altogether?

Mr. TIFT. Not altogether; no.

Mr. GAINES. The wages are added together at the end of the month. If he is in need at any time before pay day, he can get scrip up to the amount of the work done, up to the time that he applies—that is, a piece of scrip, or check, with little punch holes in it?

Mr. TIFT. Yes, sir.

Mr. GAINES. He need not apply for this if he does not want it. If he does apply for it, and does not trade that out, and it is turned in at the end of the month, he gets a credit for that?

Mr. TIFT. Yes, sir.

Mr. GAINES. And in pursuing that accommodating and kindly system with the men, if for any reason they need money, they can get it?

Mr. TIFT. That is it exactly.

Mr. GAINES. So it is not exactly optional, as you say.

Mr. TIFT. I do not want to create that impression. We do not expect to pay him money throughout the month unless there is some urgent necessity why he should have it. We adopted that system because we found that it is the only system upon which we can get along with the negro labor. If we paid him every day, they would not work half time. They would spend the money for whisky, and things that they do not need.

Mr. CRUMPACKER. Is not Georgia a "dry" State?

Mr. TIFT. Well, Georgia is a "dry" State, but we haven't got rid of whisky absolutely. We are doing all right, however, taking everything into consideration.

Mr. FORDNEY. The chairman asked you about the advance in stumpage, and you said that there were several reasons. Now, I want to ask you if this is not true: That one of the greatest causes for advances in the price of stumpage in the country in the past ten years is due to the very large amount of timber put into Government reserves, taken absolutely out of the market, excepting at extremely high prices?

Mr. TIFT. That is a fact, no doubt.

Mr. FORDNEY. I believe in the State of Oregon there are 15,000,000 acres in forest reserves right now. If that timber in those forest

Digitized by Google

reserves were thrown on the market under the present laws—the homestead law, the timber and stone act—and permited to be located with forest-reserve script, and so on, would it not have a tendency to reduce the price of stumpage in the State of Oregon right now?

Mr. TIFT. I think that is true.

Mr. FORDNEY. Then, isn't it true that on account of the depreciation of the forests of the country, which is rapid—and all men know that who know anything about the business—that the timber holdings in the country in the past ten years have gone into strong hands instead of small holdings, and therefore a speculative value has been put upon it?

Mr. TIFT. That is true in a great many sections. I do not think that would apply as much in Georgia as in other sections; not as much in Georgia as in Florida.

Mr. FORDNEY. For instance, in the State of Mississippi ten years ago there were very large forests there under small holdings that could be grouped up at the low price of 50, 75 cents, and a dollar, and which is now worth from $3 to $5. Those holdings have gone into strong hands.

Mr. TIFT. That is my information largely.

Mr. FORDNEY. Let me say further that the Government to-day is demanding the highest-priced stumpage asked for timber on the Pacific coast. Do you know anything about that?

Mr. TIFT. I do not.

Mr. FORDNEY. Well, I do. I know they ask $5 stumpage for their timber in California upon certain reserves, and I know that no other timber demands that price. I know of no holder of timber asking any such price as that, but the Government is selling some timber at that price.

Mr. TIFT. Our average price of stumpage in Georgia is about $2. The average price of stumpage in Florida runs from $1.50 to $3, depending upon the location. Three dollars is the highest stumpage value I know of in Florida.

Mr. FORDNEY. Southern Georgia is entirely different from other parts of the Southern States?

Mr. TIFT. I think so. In Georgia we have very few large holdings of timber, while in Florida there is much more. There is a much larger area of virgin timber in Florida than in Georgia.

Mr. FORDNEY. I do not know whether I asked you this question when you were here the other day—I don't remember—so I will ask you now. Do you believe that by reducing the duty or removing it on lumber that the consumer would be benefited? If so, would it tend to conserve the forests?

Mr. TIFT. No, sir; it would not. I doubt if the consumer would be benefited to any practicable extent. In my judgment it would not conserve the forests, for the reason that it would destroy to a very large extent our market for our low-grade timber. There are certain classes of stock upon which we do not fear anybody's competition; we can market it. But a very large percentage of our stock is what we call low-grade stock, and that is the stock that we are trying to find markets for. We are changing our mills so that we can make that stock more economically. Upon the mill that I am interested in in Florida now we are spending several thousand dollars to change that mill from circular to band saws.

Digitized by Google

The CHAIRMAN. I understand you to say that if the duty was taken off the consumer would not get his lumber any cheaper; is that correct?

Mr. TIFT. No, sir; I do not say no cheaper.

The CHAIRMAN. You stated that it would not benefit the consumer. If he got lumber cheaper, it would benefit him, would it not?

Mr. TIFT. Only to a small extent; that is, benefit to the consumer.

The CHAIRMAN. The tariff is $2 a thousand. To what extent would the taking off of that tariff benefit the consumer?

Mr. TIFT. That is merely a matter of opinion.

The CHAIRMAN. I am trying to get your judgment about it.

Mr. TIFT. My judgment is that it would be very small. I doubt if he would get 10 per cent reduction.

The CHAIRMAN. Yet still that 10 per cent, which would be 20 cents a thousand, in your judgment, would be sufficient to drive out of the market all of the low-grade timber and lumber?

Mr. TIFT. No, sir; I did not say that.

The CHAIRMAN. Well, you said that there would be no market for it, and I do not know what the difference is.

Mr. TIFT. I want to say this: That we haven't got the market now for the low-grade lumber.

The CHAIRMAN. Please raise your right hand.

(The witness thereupon was duly sworn by the chairman.)

The CHAIRMAN. Now, I wish you would answer this question: How would it injure the market if the low-grade timber were only reduced in price 20 cents a thousand?

Mr. TIFT. I would answer it in this way, if you will permit me. It is not a question of price so much as the question of competition and market. To illustrate, we are trying to get our low-grade framing lumber into the different markets, for instance, in New York and eastern markets. Framing lumber that is in use in those markets is almost entirely spruce. We can hardly get yellow-pine framing into that market. It is not a question of price altogether, but custom and usage. On the other hand, in the Chicago and western markets there is practically no spruce used; it is all yellow pine. We are trying to push our markets; we have been pushing them year after year; we have gone farther into the West and into the Northwest, and we are trying to get our low-grade yellow-pine framing into the eastern market in competition with the spruce.

The CHAIRMAN. You say that is a question of usage. How is the lowering of the price of 20 cents a thousand going to affect that usage?

Mr. TIFT. It will affect it in this way: If you open those eastern markets to the Canadian spruce, which comes into New York and New England and those markets now—if you let down the bars and take off the tariff, there will be a very much larger volume of spruce and Canadian lumber shipped into those markets, and we would have no chance to get in.

The CHAIRMAN. It would not lower the price more than 20 cents. Do you not honestly believe that whether the tariff is kept on or not the price will go up further than it has gone up now; and that if it is taken off, in less than two years lumber will be higher than it is to-day?

Mr. TIFT. I think possibly it would; yes, sir.

Digitized by Google

The CHAIRMAN. You think it will be, do you not?

Mr. TIFT. Why, yes.

The CHAIRMAN. Then people will be compelled to buy this low-grade lumber, as they are to-day, because of the high price, will they not?

Mr. TIFT. Well, as I stated before, it is not a question of price altogether. Price is a factor in it, but there are a great many other factors that come in in connection with the market.

The CHAIRMAN. They did not begin to have this consumption of it until there was a high price, did they?

Mr. TIFT. There is more lumber cut every year. Of course, some of the consumption is because of there being more people in this country.

The CHAIRMAN. I understood you to say in answer to Mr. Fordney's question on another subject—we do not seem to get much light on this one—that the large timber tracts have gone into strong hands, and that was one reason for the advance in the price of the stumpage. Is that correct?

Mr. TIFT. I think that is a factor in it; yes, sir.

The CHAIRMAN. If that is true, would the removal of the $2 duty tend to check the advance in the price of stumpage?

Mr. TIFT. If it had the effect of demoralizing the markets and reducing the price, it would necessarily react on the price of the stumpage.

The CHAIRMAN. Taking 20 cents off the price of lumber, as you have estimated, would that demoralize the market?

Mr. TIFT. Well, no, sir; I don't know that that of itself would be a factor.

The CHAIRMAN. If it did demoralize it, who would lose; anybody excepting the speculator who has been buying up the stumpage?

Mr. TIFT. Yes, sir; the speculator. But I think that lumber that is held in the hands of speculators is a small proportion of the timber that is held all through this whole country. Take it in Georgia, I think the proportion held by speculators is a very small proportion.

The CHAIRMAN. You said a few moments ago that Georgia is pretty well cut over, but you say that in Mississippi there are large tracts held by speculators. I did not want you to go back on Georgia to answer my question, but take the whole country, or take Mississippi. Florida, you stated, was pretty well cut over, did you not?

Mr. TIFT. No, sir; excuse me, I do not think I said——

The CHAIRMAN. Do you think it is necessary to keep $2 a thousand duty in order to help out the speculators in Mississippi, that it is our duty to do it?

Mr. TIFT. No, sir; I do not think it is necessary to help out the speculators, but I think we should take the interest of the whole country together. The lumber interest, I think, is the fourth industry in this whole country. You are going to affect the lumber manufacturer, hundreds of thousands of people who are engaged in the lumber industry, assuming that you take off the tariff; it is going to affect the lumber industry, the small holders of timber all over the country.

The CHAIRMAN. To the extent of 20 cents a thousand.

Mr. FORDNEY. But that is not what he said.

Mr. TIFT. No, sir.

Digitized by Google

The CHAIRMAN. You have your interpretation as to what he said, Mr. Fordney, and I have mine. Do you think that the lowering of the price of lumber 20 cents a thousand is going to endanger the lumber business generally and demoralize it?

Mr. TIFT. That would be a small factor in it, but I want to state that it is not a question of price altogether. If you bring enormous quantities of lumber into any given market, it is going to affect that market; it is going to drive the man out that is least able to get in. In other words, to illustrate the situation, upon the lumber coming from Canada into New York and New England, it gets into the market on rates of $2.50 and $3 a thousand, while we have to get into that market on $7 and $8 a thousand. We are gradually working into that market, and we are shipping roofers, which we have not been able to do until this year, into that market.

The CHAIRMAN. What market are you working into?

Mr. TIFT. We are trying to work low-grade lumber into the eastern markets—New England, New York, Pennsylvania.

The CHAIRMAN. You sell all of your low-grade lumber now, do you not?

Mr. TIFT. We sell what we can make. We are leaving a great deal in the woods that we want to market to-day.

The CHAIRMAN. You want this duty in order to compel people to take the low-grade lumber?

Mr. TIFT. No, sir; we do not.

The CHAIRMAN. That is what it amounts to, doesn't it?

Mr. TIFT. We want the duty on to keep the volume of the foreign lumber out of our market, so as to give us a chance to get in and to have people use our lumber instead of the foreign lumber.

The CHAIRMAN. So as to compel the people to buy your low-grade lumber?

Mr. TIFT. No, sir. We claim that our low-grade lumber is just as good as the low-grade lumber from Canada.

The CHAIRMAN. Then it is no time to compel to buy. You want this to compel them to buy it, do you not?

Mr. TIFT. We do not look at it that way.

The CHAIRMAN. Would you be satisfied with the duty on low-grade lumber?

Mr. TIFT. Yes, sir.

Mr. FORDNEY. I can answer that, too; yes; and every other lumber man will be with us there.

Mr. GAINES. I doubt that.

Mr. FORDNEY. The chairman has asked you about the price of stumpage and whether or not it affects your business. There is a difference between the ownership of stumpage and the manufacture of lumber, and decidedly, is there not?

Mr. TIFT. Decidedly; yes, sir.

Mr. FORDNEY. And there are hundreds and thousands of mills in the country to-day depending upon buying stumpage that have their investment in their mill plants, and so on?

Mr. TIFT. Yes, sir.

Mr. FORDNEY. And if the price of stumpage goes higher, and if a removal of the duty would lower the price of the low grades, then the mill men suffer and not the man who owns the stumpage, because

Digitized by Google

the man who owns the stumpage will not sell until he gets his price, unless he happens to be in financial straits that compel him to do so, which is not often the case. Is not that true?

Mr. TIFT. Yes, sir.

Mr. FORDNEY. So that there are thousands of mill men to-day dependent upon buying stumpage from some man who owns the stumpage now?

Mr. TIFT. That is true.

Mr. FORDNEY. Isn't it true, generally true, that when the price of lumber is low the price of stumpage has not gone back, but held its own, and no sales being made?

Mr. TIFT. That has been the situation for the last year.

Mr. FORDNEY. And the man who made that investment held on and would not let it go?

Mr. TIFT. There have been no sales in Georgia or Florida during the last year——

Mr. FORDNEY. But isn't it true that the average manufacturer in the United States to-day competes with his competitor in any part of the world on high grades, and does not fear any man?

Mr. TIFT. Yes, sir.

Mr. FORDNEY. It is only the low grades that he needs protection on, practically?

Mr. TIFT. Practically.

Mr. FORDNEY. When the price of lumber is exceedingly high in the markets, the duty on lumber does not amount to a bawbee in the question?

Mr. TIFT. That is true.

Mr. FORDNEY. But it is when the low grades are a drag in the market that the duty helps out the lumber, and in such times as we are having to-day?

Mr. TIFT. That is about the situation in a practical way.

Mr. FORDNEY. It was testified here the other day that the lumber men on the Pacific coast competed right along in Australia and Japan and China and Manchuria and in British Columbia, and they all conceded that the price of lumber was lower in British Columbia than on the Pacific coast, and why? Because they could compete on high grades, but not on low grades. Did you hear that testimony?

Mr. TIFT. Yes, sir.

Mr. FORDNEY. If the duty is removed from low-grade lumber at a time when the price of lumber is low in our market, Canada or British Columbia would increase her output, because she could use United States markets for a dumping ground for their low grades, which she can not send elsewhere. Isn't that right?

Mr. TIFT. That is true, and that is the competition that we are trying to get rid of.

Mr. FORDNEY. When you take into consideration that 10 or 20 per cent, or whatever it is, it does not make so much difference so long as they have a dumping ground into which they can get rid of their lumber even at cost.

Mr. TIFT. That is right.

Mr. FORDNEY. If a man is in the lumber business, he finds that out pretty quick.

Mr. TIFT. The problem that confronts us all is to find out how to get rid of the whole tree; that is the problem, the great factor, when

Digitized by Google

we cut down the tree, to get everything in the tree into the market; and where we have no market for the low grades, the mills that have largely invested, and secured timber leases, are trying to work out that proposition. If we haven't got a market for everything in the tree, then we have to sell what we can out of it and leave the rest in the woods.

Mr. FORDNEY. You leave some low grade in the woods; why do you do that?

Mr. TIFT. Simply because we have no margin upon which to market it.

Mr. FORDNEY. If the duty were taken off the low grade, would it have a tendency to help you get that out?

Mr. TIFT. Yes, sir.

Mr. FORDNEY. If the duty were taken off, would it make that condition?

Mr. TIFT. Oh, no, sir; excuse me; I misunderstood your question.

Mr. FORDNEY. If the masses of the people want to conserve our forests, will they do it by lowering the prices of low-grade lumber or raising them?

Mr. TIFT. In regard to the question of conserving the forests, this question of the high price of stumpage is a great big factor in it. Our people are going to conserve our forests and take care of them and preserve them—I am speaking of private ownerships—when they can do it profitably, and as to the value of stumpage increase, to that extent we are going to conserve the forests. Take the evolution of the lumber business in my State, and that is the principle all the way through. When I first went to Georgia there was not a frame house within 20 miles of Tifton, everybody building log houses and building rail fences, splitting up good timber into rails to make the fences. To-day, in the last five years, there have been more wire fences built in Georgia in three years, commencing with the boom in lumber, than in twenty-five years before. And the same condition prevails in Florida. The value of stumpage is increasing, and where the farmers and small holders got timber, they are trying to take care of it. Instead of splitting it into rails, they are holding it and selling it to the mills, and putting in wire fences.

Mr. LONGWORTH. They are holding it for the purpose of eventually cutting it out, and getting a larger profit out of it than now?

Mr. TIFT. Oh, yes.

Mr. LONGWORTH. How can higher prices tend to conserve the forests?

Mr. TIFT. Take the farmer. There are millions of feet of timber that every year has been deadened, burned up, in clearing lands. Those people now, the farmers that have gotten timber areas, are trying to preserve them. They are raking it and protecting it from fire, and taking care of it with a view of holding it.

Mr. LONGWORTH. They are eventually going to cut it, are they not?

Mr. TIFT. Eventually, yes.

Mr. LONGWORTH. Then how is that conserving the forests? They will hold it a year or two, and the men whom you entitle the "strong men," the owner holding the largest amounts, are going to sell their timber at higher prices than they are getting now?

Mr. TIFT. I do not think it is a question of a year or two; I think it is a question of a good long period.

Digitized by Google

Mr. LONGWORTH. How long?

Mr. TIFT. Oh, well, I think that that would be governed largely by conditions.

Mr. LONGWORTH. They are not holding it for patriotic purposes, are they?

Mr. TIFT. No; I do not think so.

Mr. LONGWORTH. But to make money on it?

Mr. TIFT. I do not think the average citizen is doing business on a patriotic basis.

Mr. LONGWORTH. But your proposition is, as I understand it, that the high price of stumpage is a tendency in the direction of conserving forests?

Mr. TIFT. Yes, sir.

Mr. LONGWORTH. And I do not understand that. You say that it is a question of time. How long a time? Is it not simply the time when they are going to get the prices they are holding it for?

Mr. TIFT. That may be, to some extent. For instance, you take this question of utilizing everything in a tree. That will prolong the life of every sawmill operation, and as stumpage values increase steadily, and lumber values increase, the same rule would apply in timber that would apply in any other investment; they are going to conserve and take care of it. For instance, you take the average sawmill man after his timber has been boxed for turpentine; he will not even go into the woods to rake it and protect it from fire. He figures that it will cost him more to do it than the loss he would suffer from the trees burning. All those factors go into the question of forest conservation and preservation.

Mr. LONGWORTH. You lay it down absolutely that the lowering or the taking off of the duty on lumber would have no effect whatever on the forest conservation?

Mr. TIFT. I think it would hinder it.

Mr. LONGWORTH. What would be the effect of raising the tariff on lumber?

Mr. TIFT. Well, I think that the tariff is pretty near on proper lines now, sir.

Mr. LONGWORTH. You do?

Mr. TIFT. Yes, sir.

Mr. LONGWORTH. You state that the reduction of the tariff on lumber would tend to destroy the forests at a greater rate than now?

Mr. TIFT. Yes, sir.

Mr. LONGWORTH. Will you kindly explain that?

Mr. TIFT. Our mill operations could not go on; the large investments in timber, in timber leases——

Mr. LONGWORTH. Well, in the first place, it could not be so profitable to cut lumber as now if the tariff was taken off; is that it?

Mr. TIFT. It would probably destroy the profit on our lumber up to certain grades.

Mr. LONGWORTH. If it was less profitable, why would you cut more?

Mr. TIFT. Simply we would go into the woods and we would cut the timber that we had profit in, that portion of the tree that we had profit in, leaving the balance in the woods or put them in the slab pits. It would set us back ten, fifteen, or twenty years. For instance, when I went to commence sawmilling we got from 2,000 to

Digitized by Google

2,500 feet to the acre of timber. That was thirty-six years ago. That has gradually advanced until, as we are cutting lumber to-day, and utilizing larger portions of every tree we cut, and cutting inferior trees, that same acreage will cut 10,000 feet to the acre under our method of logging to-day. Now, if our markets go off as they have this year, then we are simply getting out our high-grade lumber and putting the balance in the slab pits or leaving it in the woods; cutting the butts of the trees, the best timber, and leaving the balance to go to waste. That is where it would affect the conservation of the forests very seriously.

Mr. LONGWORTH. I wanted to be perfectly certain as to your proposition. You lay it down as a proposition, that the taking off of the tariff on lumber would tend to destroy the forests of this country at a more rapid rate than they are being destroyed now.

Mr. TIFT. Yes, sir. That would be the effect in our section of Georgia and Florida. Now, that might not be true of the entire section of the country.

Mr. LONGWORTH. But I am asking you about this country.

Mr. TIFT. I can only answer for the sections that I am familiar with, and as to the other sections it would only be an opinion.

Mr. LONGWORTH. I was not asking you about Georgia, but was asking you about the forests of this country. What do you say about that?

Mr. TIFT. I think that that principle would hold generally, sir.

Mr. LONGWORTH. You do?

Mr. TIFT. Yes, sir.

Mr. LONGWORTH. You state that as your opinion as an expert on lumber?

Mr. TIFT. I am speaking as to the manufacturing proposition. Where there are large areas of timber held by speculators, that might be a different proposition. I am speaking from the manufacturing standpoint.

Mr. LONGWORTH. In Georgia?

Mr. TIFT. Well, I think the same principle would apply generally.

Mr. LONGWORTH. Then, you don't think that the taking off of the tariff on lumber would tend to more rapidly decrease the forests?

Mr. TIFT. No, sir; I do not.

Mr. LONGWORTH. You just said that you did, and I will ask the reporter to read my question, so that you may hear it again.

(The reporter reads the following question and answer: "Mr. Longworth. You state that the reduction of the tariff on lumber would tend to destroy the forests at a greater rate than now?—Mr. Tift. Yes, sir.")

Will you now kindly explain exactly what you mean?

Mr. TIFT. I think you misunderstood me.

Mr. LONGWORTH. Then, do you desire to qualify that statement that you made?

Mr. TIFT. No; I believe I will stand by that now.

Mr. LONGWORTH. As a proposition affecting the forests of this country?

Mr. TIFT. Yes, sir; and for the reason that I stated.

Mr. FORDNEY. Anything that would tend to reduce the price of low grade or bring in greater competition to lessen the sales of low-

Digitized by Google

grade lumber would have a tendency to compel you to leave that lumber in the woods, because there would be no profit in it?

Mr. TIFT. That is true.

Mr. FORDNEY. And that would have a tendency to destroy instead of conserving the forests?

Mr. TIFT. Yes, sir.

Mr. FORDNEY. Much has been said about the high price of lumber in this country, and the duty of $2 a thousand upon rough lumber being responsible for it. Has the price of rough lumber in the market in the past ten or twelve years, or during the life of the Dingley law, advanced any more in price than the average agricultural product?

Mr. TIFT. No, sir; it has not. And I want to say right there that in 1872 the price of 3 by 9 South American deals in Brunswick, Ga., was $16 a thousand on the cars. That same lumber has been sold this year for less than $16, and the market report to-day on that class of lumber quotes it as $16.

Mr. FORDNEY. What was the price of the product of a log in your mill in 1896, under free trade, when there was no duty on lumber? What did you get for the average product of the log then, when it was extremely low?

Mr. TIFT. I would have to quote from memory, and I would not like to do that, because it might be wrong.

Mr. FORDNEY. Do you remember whether it was half what you are getting for it now, or more, or less?

Mr. TIFT. It has varied a great deal. The difference in the market then and now is because in the last few years we have been marketing more and more of the trees—sap lumber and kiln-dried lumber, and that class of stuff—which we did not make years ago; and there are certain classes of lumber, ordinary dimension, in which there has not been a very large variation of price in twenty years. For instance, in the fall of 1904—I am speaking now of the ordinary dimension shipped through the ports, 8, 9, or 10 inch lumber—it was as low as it has been at any time in twenty-five years.

Mr. FORDNEY. About what price did you get for it?

Mr. TIFT. Dimension lumber was sold in the fall of 1904 f. o. b. port of Jacksonville—there was a cargo sold at $10 a thousand.

Mr. FORDNEY. What do you sell for there now?

Mr. TIFT. The same lumber to-day is worth about $14.

Mr. FORDNEY. From $10 up to $14. Isn't it true that the average agricultural product has doubled in price in that time?

Mr. TIFT. Yes, sir; I think it is true.

Mr. FORDNEY. And that there is more protection to the agricultural products than lumber?

Mr. TIFT. Yes, sir.

Mr. CRUMPACKER. Here is a proposition that Mr. Fordney has overlooked in his effort to show that higher lumber conserves forests, and that is when lumber is high the consumer is more frugal in its use. Is not that the case?

Mr. TIFT. Yes, sir.

Mr. CRUMPACKER. He paints his barns and buildings, for the purpose of preserving them, more carefully; perhaps takes the roof in out of the rain when the storm comes?

Mr. TIFT. Yes; and he uses other material.

Digitized by Google

Mr. CRUMPACKER. As substitutes?

Mr. TIFT. Yes; uses other material to some extent—brick and cement.

Mr. CRUMPACKER. It prompts a more frugal use by the consumer when it is high than when it is low.

Mr. LONGWORTH. Then, if we were engaged in revising the tariff on lumber solely with the idea of conserving the forests, would you advocate a substantial increase in the duty, therefore raising the price of lumber and preventing the destruction of the forests?

Mr. TIFT. No, sir; I do not quite take that position.

Mr. LONGWORTH. Why not? A moment ago you followed out that theory. You say that the higher the price of lumber the less the destruction of the forests. You say that the price of lumber depends upon the tariff, and therefore if we raise the tariff it will raise the price of lumber and prevent the cutting of the forests?

Mr. TIFT. No; I think there is a limitation there.

Mr. LONGWORTH. Where does it come in?

Mr. TIFT. To the point of giving us a market so that we may utilize our whole tree. That is what we are trying to get.

Mr. LONGWORTH. You want to get the price of lumber higher, do you not?

Mr. TIFT. We do not ask for a tariff that would give us a great big margin on low-grade lumber, but we are trying to bring about a condition that will do away with the waste. Speaking upon the question of forest conservation, and of course speaking upon the question of profit, we are trying to get the market so that when we cut a tree and take it to the mill we can get all there is in the tree; so that we can break even on the low-grade stock.

Mr. LONGWORTH. Has the tariff any effect on the price of that tree?

Mr. TIFT. Yes, sir.

Mr. LONGWORTH. If it was reduced, it would lower the price of the tree, would it?

Mr. TIFT. It would if it destroyed our markets.

Mr. LONGWORTH. I am talking about the price of the tree, and surely you can answer that question. Has the tariff any effect on the price of the tree?

Mr. TIFT. We think so; yes.

Mr. LONGWORTH. If you lowered it, would it lower the price of the tree?

Mr. TIFT. I think that would be the effect.

Mr. LONGWORTH. If you raised it, would it raise the price of the tree?

Mr. TIFT. It would seem so; yes, sir.

Mr. LONGWORTH. Then, the higher you raise it the higher it would raise the price of the tree?

Mr. TIFT. I think that is true.

Mr. LONGWORTH. Well, then, the higher the price of lumber the less tendency there would be to destroy the forests?

Mr. TIFT. Yes, sir.

Mr. LONGWORTH. Then, if we raised the tariff it would be a move in the direction of conserving the forests?

Mr. TIFT. Taking it from that view point; yes, sir.

Mr. LONGWORTH. That is your opinion as an expert, is it?

Digitized by Google

Mr. TIFT. Well, I think there might be other considerations that would come in there.

Mr. LONGWORTH. Oh, yes.

Mr. TIFT. That would be one factor.

Mr. FORDNEY. I did not ask you whether by taking the duty off it would reduce the price of the tree. If you were a manufacturer and owned the tree, it would affect the price of a tree if you could not market the low grade in it and must leave that in the woods?

Mr. TIFT. Yes, sir.

Mr. FORDNEY. Are you selling low grades to-day below cost?

Mr. TIFT. Largely; yes, sir.

Mr. CRUMPACKER. That is a slightly leading question.

Mr. FORDNEY. And that is what I want, and I think I know about as much about the business as that gentleman does.

The CHAIRMAN. Do you want to keep the duty on lumber so as to sell the low grade below cost?

Mr. TIFT. We want to get a little margin.

The CHAIRMAN. Sell below cost and therefore keep the duty on.

Mr. FORDNEY. You are selling low grade below cost now, are you not?

Mr. TIFT. Some of it.

Mr. FORDNEY. I know we are, and we are in the business. Low grades are selling below what it costs to produce them, to say nothing about the stumpage.

The CHAIRMAN. And you get a large price on the upper grades?

Mr. FORDNEY. No; I do not believe we do, any more than the average lumberman, but the whole gist of this is that your product is not protected in proportion to the ad valorem value of the other products of the country; is not that right, Mr. Tift?

Mr. TIFT. That is true.

HON. E. B. VREELAND, M. C., FILES RESOLUTION OF THE JAMESTOWN (N. Y.) MANUFACTURERS' ASSOCIATION RELATIVE TO REMOVAL OF DUTY FROM LUMBER.

JAMESTOWN, N. Y., *December 7, 1908.*

Hon. E. B. VREELAND, *Salamanca, N. Y.*

DEAR SIR: At our annual meeting held December 1 the following resolution was adopted (introduced by Cyrus E. Jones):

Resolved, That our Congressman, Hon. E. B. Vreeland, be requested to use his influence to remove the present duty on lumber.

Representing, as we do, a large element of furniture manufacturers, we beg to point out that no large fortune has ever been acquired in this line of manufacturing; on the contrary, the profits in this trade are admittedly small. Neither at the present time, nor in the past, have furniture manufacturers attempted by trust or combination methods to fix or regulate prices on furniture products. The forests of this country are being rapidly depleted and the lumber is month by month coming into stronger hands. All of which facts are matters of common knowledge, and we submit that Congress can hardly refuse to give us such lumber as we import free of duty.

Very truly, yours,

THE MANUFACTURERS' ASSOCIATION,
OF JAMESTOWN, N. Y.
R. J. BOOTEY, *Secretary.*

Digitized by Google

SKILLINGS, WHITNEYS & BARNES LUMBER COMPANY, OGDENSBURG, N. Y., RECOMMENDS FREE LUMBER, AND SUGGESTS NEW LUMBER SCHEDULE.

OGDENSBURG, N. Y., *December 11, 1908.*

Hon. S. E. PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.

DEAR SIR: We address you on the subject of duties on lumber.

We (Skillings, Whitneys & Barnes Lumber Company) have been lumber merchants since 1856. During these years we have maintained large distributing yards at Ogdensburg, North Tonawanda, and Burlington. To-day our business is all concentrated at Ogdensburg, where we have invested over $500,000 in yards, planing mills, and box shop.

We pay out yearly in wages over $350,000.

We buy lumber in Michigan and Canada, wherever it is the cheapest, bring it to Ogdensburg, where it is manufactured or dressed in our planing mills for local and export trade; and, besides, we use annually about 15,000,000 feet of lumber in our box shop.

We are merchants, and do not own any timber limits either in Michigan or Canada.

We wish to divide our argument, as it were, on this subject into two sections:

First. Relative to the duty of $2 per thousand feet on rough lumber: We believe this duty should be abolished, because throughout the States we do business in, namely, New York, Pennsylvania, New Jersey, and the New England States, white-pine lumber is almost extinct. To-day it is imperative to buy a large portion of the white-pine lumber in Canada to supply the trade in these States, and because this is the condition, why pay duties of $2 per thousand feet on an article the people must buy in Canada?

The removal of the duties, in my opinion, will be beneficial to the people at large through these States. The only reason for a duty on rough lumber, in our opinion, is to furnish revenue.

Second. Relative to the duty on manufactured lumber: There is to-day an additional duty on lumber when it is planed or manufactured in Canada and brought into the United States. We recommend the following duties on planed or manufactured lumber: When lumber of any sort is planed or finished, in addition to the rates fixed by the Government on rough lumber, there shall be levied and paid, viz, for each side so planed or finished, 50 cents per thousand feet board measure; if planed on one side and tongued and grooved, $1 per thousand feet board measure; if planed on two sides and tongued and grooved, $1.50 per thousand feet board measure.

If lumber is jointed on one or two edges of a board, the duty shall be assessed the same as if tongued and grooved. (And in estimating board measure under this schedule no deduction shall be made on board measure on account of planing, tonguing, and grooving.)

When lumber is worked into clapboards, novelty sidings, or into moldings, 15 per cent ad valorem.

Pickets, palings, and staves of wood of all kinds, 10 per cent ad valorem.

Digitized by Google

Casks, barrels, and hogsheads (empty), sugar boxes, shooks, and packing boxes (empty), and packing-box shooks of wood, 30 per cent ad valorem. The foregoing duties are recommended for the following reasons:

First. If this protection is not afforded, the planing mills on the border between the United States and Canada will be badly handicapped and gradually their business will be driven to the lumber sections of Canada, like Ottawa, Midland, Arnprior, etc. Why bring lumber from the lumber centers of Canada into Ogdensburg, Burlington, or Tonawanda, pay labor to have it sorted into grades, then pass it through planing mills here, if the duties on manufactured lumber are abolished and this planing work can be done direct at Ottawa, Midland, etc.?

Second. Removal of the duties on box shooks will, in our opinion, close 50 per cent of the box shops within two years and drive this business entirely into Canada, throwing out of employment thousands of American workmen.

You ask why? If a Canadian manufacturer of lumber is allowed to make box shooks near a sawmill he can use up waste material that will not pay freight. Besides this, he saves the "actual waste" that we and all other box shops make in the manufacture of shooks, say 15 per cent. His labor is cheaper. To-day labor is paid in Canada $1.25 to $1.50 per day, and we pay here $1.90 to $2 per day. If the tariff is once removed the shook business now carried on at Burlington, Rouses Point, Ogdensburg, Oswego, and Tonawanda would be destroyed.

Third. We urge the retention of duties on dressed lumber and on box shooks to protect American labor and to retain in the United States the business that American workmen have built up.

If the present duties are reduced in any way the trade advantage will go to the Canadian. Already there has been built in Ottawa, by W. C. Edwards & Co., the largest and best-equipped planing mill in the world at a cost of over $500,000. If this large concern is once given a free entrance into the United States with planed lumber, what will prevent it anfl others from taking trade from us and other American concerns? W. C. Edwards & Co. are not the only people in Canada who will erect planing mills if the duties on manufactured lumber are reduced in any way. In our opinion planing mills and box shops will grow like mushrooms in the night, and this business, which for fifty-three years has been maintained here, giving employment to hundreds of men, will be seriously handicapped.

If that condition occurs, we will have to face this dilemma:

First, either reduce our business to much smaller proportions, or, second, remove one of our large planing mills immediately to one of the lumber centers of Canada, so we can compete successfully with our Canadian competitors.

In conclusion, we urge your honorable body to maintain duties on planed lumber in the interest of American industries and American workmen.

I remain, dear sir, yours, respectfully,

SKILLINGS, WHITNEYS & BARNES LUMBER CO.,
THOMAS F. STRONG,
General Manager.

Digitized by Google

HON. D. S. ALEXANDER, M. C., SUBMITS LETTER OF H. L. WHITE, NORTH TONAWANDA, N. Y., RELATIVE TO LUMBER.

WASHINGTON, D. C., *December 15, 1908.*

Hon. S. E. PAYNE, M. C.,
Chairman Committee on Ways and Means.

MY DEAR MR. PAYNE: I beg to inclose for such consideration as may be proper letter from Mr. H. L. White, North Tonawanda, N. Y., giving his reasons for opposing reduction of the duty on rough and dressed lumber.

Cordially, yours, D. S. ALEXANDER.

NORTH TONAWANDA, *December 14, 1908.*

Hon. D. S. ALEXANDER, M. C.,
House of Representatives, Washington, D. C.

DEAR SIR: If not too late and your opinions are in line with those expressed in this letter regarding the import duty on lumber from Canada, we should be pleased to have you use your influence in our behalf in accordance with our ideas as here expressed:

We are sure to reduce the duty on what is classed as "dressed lumber" coming from Canada to the United States would be a calamity to all box factories, planing mills, and other woodworking establishments in the United States, and especially so along the border and territory adjacent thereto, covering a very large part of the manufacturing territory of the United States, as it would take these manufacturing institutions to the source of supply of raw material and necessitate proprietors of woodworking plants to remove their factories from this country to Canada, thereby taking American capital into Canada and the work away from American labor; the reason for this being that it would be impossible for proprietors of woodworking institutions in this country to bring the raw material (which would be in the shape of rough lumber sawn from logs) into this country, manufacture it here, and compete with plants which are already and would be established in Canada, on account of plants located in Canada being able to ship cheaper the finished product from point of manufacture than could be done by bringing the raw material to this country, manufacturing it here, and reshipping.

Through freight rates from Canada are a good deal lower than the combination of two freight rates—one from Canada to this country and one from point of manufacture in this country to point of sale—but I think more important even than this is the fact that the large owners of timber in Canada are trying to reach the American market for the finished product direct, which would cut out the possibility of middlemen in this country, owners of lumber yards, planing mills, furniture factories, and all woodworking institutions of that kind buying the raw material from Canadian manufacturers, bringing it here and manufacturing it on this side, and would take away from that branch of labor their work and wages, and take American capital to Canada.

As to the duty on rough lumber, we think it is immaterial to users of lumber in this country whether or not the duty is left on or taken off. We think it would be a question between the Canadian manufacturer of lumber and the United States Government; it is simply

Digitized by Google

a question of who gets the amount of the duty. If it is taken off or reduced, the Canadian manufacturer will at once advance his prices to that extent; if it is kept on, the United States Government will get the amount of the duty; but in either event the users of lumber in this country will not in any way be affected. It would, of course, be a big benefit to holders of Canadian timber to have the duty on rough lumber removed, as it would at once increase the value of their holdings to that extent.

Yours, very truly,

WHITE, FROST & WHITE,
By H. L. WHITE.

THEODORE M. KNAPPEN, MINNEAPOLIS, MINN., FILES SECOND SUPPLEMENTAL BRIEF ON FREE LUMBER.

DECEMBER 23, 1908.

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR SIR: We observe that on the 19th of December a Georgia lumberman appeared before your committee to protest against the repeal of the lumber tariff on the ground that the southern yellow-pine manufacturers could not compete with Canadian manufacturers in the New York market in the event of the repeal of the duty.

We would therefore like to call your attention to the following correspondence and have it incorporated in the record of testimony being made up by your committee.

The Senator Edwards who figures in this correspondence is a member of the Canadian Parliament and a leading lumber manufacturer of Ontario. He was the official representative of the Dominion of Canada at the recent conference of the conservation commission and the governors of the States and Territories.

This correspondence conclusively shows that while the southern manufacturers are complaining that they could not compete with the Canadian manufacturers in the New York market in the event of the repeal of the duty they have been giving the Canadian lumbermen ruinous competition in Ontario this very year. Senator Edwards assures us orally that he is confident that North Carolina pine has been sold in Ontario this season at lower prices than it was offered in New York.

In addition to this correspondence we would call your attention to the fact that the Grand Trunk Pacific Railway, which is now building a transcontinental railway across Canada, recently purchased an immense amount of timber required for its construction work in British Columbia from United States coast mills, the American lumbermen making tenders lower than the British Columbia manufacturers can make them for delivery in their own provinces.

Recently the Canadian Pacific Railway was in the market for a large quantity of lumber and timber for its western lines and received bids on southern pine so much lower than those offered by the British Columbia mill men that the company notified the latter that they would be compelled to buy their supplies in the United States unless the British Columbia manufacturers would make equally good prices.

Digitized by Google

We state these facts as a matter of common knowledge and report, but, if desired, believe that the particulars can be authoritatively obtained.

Very sincerely, yours,

NATIONAL FOREST CONSERVATION LEAGUE,
Per THEO. M. KNAPPEN, *Secretary.*

EXHIBIT A.

ROCKLAND, ONTARIO, *December 22, 1908.*

THEODORE M. KNAPPEN,
Minneapolis, Minn.:

You are at liberty to use my letter, also the copy of the telegram to Sir Wilfrid Laurier and letter in witness on pulp question, in any way you desire. Take no stock in childish statement that Canadian government will impose export duty on forest products if American Government removes import duties. Such too absurd for consideration. It is ridiculous.

WM. C. EDWARDS.

EXHIBIT B.

ROCKLAND, ONTARIO, CANADA, *December 17, 1908.*

Mr. THEODORE M. KNAPPEN,
903–905 New York Life Building,
Minneapolis, Minn.

DEAR MR. KNAPPEN: Recalling the promise I made you at Washington a few days ago, I herewith inclose copy of the telegram I sent Sir Wilfrid Laurier on June 1, after a large deputation of lumbermen had called upon him and our minister of finance, begging for the imposition of a duty on southern pine coming from the United States, which was then and for the most of the time since deluging our Canadian markets, produced and sold so cheaply that it has been impossible for us to compete. Hard of course for the moment on us lumber producers, but a great benefit to the buyers and users of lumber.

The ground I take is that we will win in the end. If you Americans are foolish enough to exhaust your forests, not only to supply your own wants but ours also, our timber will grow and become more valualbe in the meantime, which will result in great ultimate profit to us.

I am taking the liberty of sending you a paper also, which has a letter in it I hurriedly wrote something over a year ago on the pulp question.

With kindly remembrances of our meeting at Washington, I am,

Yours, sincerely,

WM. C. EDWARDS.

Digitized by Google

ROCKLAND, ONTARIO, *June 27, 1908.*

Right Hon. Sir WILFRID LAURIER,
Ottawa, Ontario:

Most sincerely and earnestly hope you will pay no regard to unjustified demand made upon you for a duty on southern pine coming from United States. The demand arises in consequence of a temporary stagnation in our business, which will soon pass away. The imposition of the duty would be most trifling, in so far as mitigation of the present dullness in Canadian trade is concerned, and would be most unpopular, excepting with a few avaricious lumber manufacturers. I sincerely beg you to allow one Canadian industry to exist without placing it in the dishonorable and despicable position of robbing the consumers of its product for its benefit.

WM. C. EDWARDS.

EXHIBIT C.

ORIENTALS IN BRITISH COLUMBIA SAWMILLS.

NELSON, BRITISH COLUMBIA, *December 17, 1908.*

Mr. THEODORE M. KNAPPEN,
Minneapolis, Minn.

DEAR SIR: In reply to your inquiry with reference to the number of Orientals employed in the mountain mills, I have pleasure in giving you the following information:

In the mountain district of British Columbia we have 65 sawmills, with a ten-hour capacity of 3,300,000 feet, which is 60 per cent of the entire producing capacity of the mills of the Province. When in full operation these mills employ in the aggregate about 4,000 men, including those at the sawmills, planing mills, and yard work. From my personal knowledge I can state that less than 400 Orientals were employed this season by the mills in the interior. The above does not include any men employed in bush work, and I estimate that when the camps are in full operation taking out logs for the supply of all our plants that over 6,000 additional men would be employed in bush work. It would be safe to say that in good times the lumber industry of our district employs in both mills and camps in the busy season 8,000 men. Thus the percentage of oriental labor is in good times only 5 per cent. As you are probably aware, oriental labor is not used in woods work, with the exception possibly of an occasional Chinese cook.

With regard to your question as to the relative wages paid in this district as compared to those in effect in the interior districts of Washington, Idaho, and Montana, would say that it is generally understood here that our schedule is higher in the average than in the country to the south.

You are probably aware that in British Columbia public sentiment is strongly against oriental labor of any kind, and for your information I would say that the Dominion government is making a determined effort to prevent any more Hindoos coming into the country and is endeavoring to effect an arrangement whereby those now in our Provinces should be sent out to the Honduras. With reference

Digitized by Google

to Chinese immigration, would say that there has been in force for some time a head tax of $500 on every Chinaman coming into the country, and this is practically prohibitive, as the returns for the past few years demonstrate. Last year an arrangement, known as the "Lemieux treaty," was effected with the Japanese Government, which provides that not more than 400 Japanese coolies shall be allowed to leave their native country for Canada in any one year. It is very unlikely that the number of Orientals employed by the interior mills will therefore be increased in the future. In fact, indications are that a lesser number will be available for the manufacturers of this district.

In reply to your query with regard to the relative cost of producing lumber in the mountain district of British Columbia as compared with the interior of Washington, Idaho, and Montana, I beg to say that, in my opinion, our cost is considerably higher exclusive of the value of the standing timber. In the main, stumpage in the interior of British Columbia is still cheaper than in the districts named to the south of us. The nature of the country in this district is much rougher than in the States referred to and is conducive to more expensive logging costs.

Very truly, yours, W. A. ANSTIE,
Secretary.

THEODORE M. KNAPPEN, MINNEAPOLIS, MINN., SUBMITS STATEMENT RELATIVE TO INCREASE IN LUMBER PRICES.

MINNEAPOLIS, MINN., *December 21, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: Some of the lumbermen who appeared before the Ways and Means Committee in the interest of retention of the present tariff on lumber made light of the impending exhaustion of our forests and the consequent manifest necessity of drawing freely on the forest products of other nations while instituting measures for the conservation of our domestic forests. In view of that attitude the following reproduction of an editorial article published in the American Lumberman (leading lumber trade publication) September last will be found interesting and instructive, especially as this publication is now vigorously contending for the retention of the lumber duties. It will be observed that the Lumberman attributes the high price of lumber to the fact that it is getting scarce:

As any commodity in common use and needed by the community becomes scarce, the pressure of competition is felt and prices advance.

Yet the American people are asked to continue to tax themselves by the way of tariff on imports for the benefit of an industry whose supply of raw material is getting scarcer and scarcer and will inevitably continue to do so.

WHITE-PINE PRICES SIXTEEN YEARS AGO AND NOW.

An interesting comparison as to white-pine prices is made possible by three price lists lying before us. All are f. o. b. mill prices at Marinette, Wis. The first bears date of April, 1892; the second of October 1, 1907; and the third of July 1, 1908. The last two named are identical in form, having been issued by the same concern only nine months apart, but the first is so different in its items that no complete comparison is possible.

Digitized by Google

For example, in 1892 thick clears and selects finishing lumber and 8, 10, and 12 inch stocks headed the list. In the present list common boards take the lead. In 1892 there were A selects, B selects, and C selects and better, C select, and D select. The stock boards of the old list are represented in the inch finishing lumber of the new. In 1892 the headings were wide inch uppers, A select, B select, and C select. In the new list the best grade is D select and better, and there is a division according to the width which did not exist in the old days.

Except as for a few isolated items, therefore, it is possible to compare only fencing, common boards, some items of flooring, and piece stuff. The table thus made up—not going into all the details of grades and dimensions—is as follows:

	1892.	1907.	1908.		1892.	1907.	1908.
FENCING.				COMMON BOARDS—con.			
6-inch No. 1	$15.00	$32.00	$31.00	12-inch No. 3	$9.50	$26.00	$22.50
4-inch No. 1	12.00	30.00	28.00				
4-inch No. 2	9.00	26.00	24.00	FLOORING.			
4-inch No. 3	7.00	19.00	16.00				
6-inch No. 2	12.00	29.00	27.00	No. 1, fancy	16.50	33.00	32.00
6-inch No. 3	9.00	21.50	18.50	C, fancy	25.00	47.00	47.00
COMMON BOARDS.				PIECE STUFF.			
8-inch No. 1	12.50	30.00	28.00	2 x 4, 12, 14, and 16	11.50	23.00	20.50
8-inch No. 2	11.00	28.00	26.00	2 x 6, 12, 14, and 16	10.00	27.50	25.00
8-inch No. 3	10.00	25.00	22.50	2 x 8, 12, 14, and 16	11.00	27.50	25.00
10-inch No. 1	12.50	31.50	31.50	2 x 10, 12, 14, and 16	10.50	29.00	26.50
10-inch No. 2	11.00	28.00	27.00	2 x 12, 12, 14, and 16	11.50	30.50	28.00
10-inch No. 3	10.00	25.00	23.50	3 x 12, 12, 14, and 16	11.50	31.50	29.00
12-inch No. 1	14.00	37.00	37.00	White pine lath	2.00	5.00	4.00
12-inch No. 2	12.50	31.00	31.00				

April, 1892, did not represent the top of the boom which ended with the panic of 1893. Prices continued to advance so that the figures given above can be increased from $1 to $3 a thousand. The advance continued on most items until well into 1893, though warnings of that financial calamity were given some months before. October 1, 1907, however, witnessed the top of the lumber market prior to the panic of last year. July 1, 1908, prices had somewhat recovered from the decline which reached its bottom in April. Still the difference between October 1 last and July 1, 1908, is a considerable one. Inasmuch, however, as prices of the last year are likely to prevail again within a year or two, the list of 1907 should be contrasted with that of 1892.

Almost invariably a price list is at least slightly above the average selling prices, and it is safe to assume that such is the case in the lists here quoted, but the comparison is nevertheless a fair one.

In 6-inch No. 1 fencing the advance was 113.3 per cent; in 6-inch No. 2 it was 141.7 per cent; in 10-inch No. 1 common boards, 144 per cent; in 10-inch No. 2 common boards, 154.5 per cent; in 10-inch No. 3 common boards, 150 per cent. No. 1 fence flooring during the fifteen years increased in value 100 per cent and C flooring 88 per cent.

Price of 2 by 4 piece stuff increased 100 per cent; of 2 by 6, 175 per cent; of 8 by 8, almost 160 per cent; of 2 by 10, 166⅔ per cent; of 2 by 12, 165.2 per cent.

In 1892 the price of 1¼-inch C selects was $26; in 1907, $49; 2-inch C selects in 1892 were $27; and in 1907, $51.

It is evident from the lower ratio of increase on good lumber that in 1892 that grade of stock had, to some extent, received the benefit of the advance which later was to benefit the common grades also.

Undoubtedly it is this sort of an advance which has aroused the ire of many people and led to talk of a lumber trust. An average advance of 100 per cent in fifteen years in a commodity based on a natural resource seems enormous; it is merely the expression of inflexible economic influences. As any commodity in common use and needed by the community becomes scarce the pressure of competition is felt and prices advance. But the advance itself has to be divided among various factors, all influenced by this same pressure of competition.

White-pine lumber is scarcer simply because timber is scarcer, and that scarcity has led to competition among the mills for its purchase and use, so that the advance in timber has been in greater ratio than that in lumber.

Digitized by Google

In addition, prices of all materials and supplies have advanced. From the timbers and brick that go into the construction of a mill building to the machinery and belting and every last appliance and tools prices are much higher than they were fifteen years ago.

Wages have shown a similar advance in every department of the lumber business—from the woods to loading the lumber onto cars. One exception may be noted—the wages of band-saw filers. In 1892 the band saw, while in general use, was still a new tool, and those who knew how to put it and keep it in condition for work commanded fancy wages which later, as a larger number of men became expert, declined. Everyone, however, from the common laborer to the skilled craftsman, demanded and received higher prices, so that in 1907 in many lines of work wages were double what they were fifteen years before, and in all, with the one exception noted, there had been a substantial increase.

In spite of all the explanations that can be made, the bald comparison is a startling case. It indicates how far the cutting away of our white-pine resources has progressed, and is significant of the future that confronts every other of our great commercial woods. Yellow pine has already begun to feel the influence of restricted timber supply, and within a few years more the west coast woods—even fir, now so abundant—will testify in their prices for stumpage to the fact that they will be the last great resource of our timber users.

COMMENT ON THE ABOVE.

Wages in the lumber industry increased about 25 per cent from 1892 to 1907 (pp. 100–101, Bulletin No. 77, Bureau of Labor), but in 1908 our own inquiry shows that they were reduced from 10 to 20 per cent. However, none of the other great commodities have increased in relative price as much in recent years as lumber. (See pp. 200–301, Bulletin No. 75, Bureau of Labor.) So neither increased cost of labor nor commodities can account for an increase of more than 100 per cent in the wholesale cost of lumber. The increase, therefore, must be ascribed chiefly to profits and increased cost of stumpage—timber. Increases in these items simply reflect the increasing scarcity of timber supplies—in other words, the exhaustion of our forests. Is it, then, fair to our people to make them contribute a tax of $2 to $3.50 per thousand of the lumber they must use to put a premium on the *destruction* of our forests, for the *replacing* of which they will inevitably be taxed again?

THEODORE M. KNAPPEN,
NATIONAL FOREST CONSERVATION LEAGUE.

(NOTE.—Italics are ours.—National Forest Conservation League.)

J. M. GREER, OF KNOXVILLE, TENN., ADVOCATES RETENTION OF PRESENT DUTIES ON TIMBER AND LUMBER.

KNOXVILLE, TENN., *December 28, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
Washington, D. C.

DEAR SIR: I see that your committee is now engaged in hearing the various interests of the country upon the question of a revision of the tariff, or of the present tariff schedules. I write you this letter as a native-born Southerner upon the subject of tariff upon timber and lumber. I am unalterably opposed to any change in the present tariff schedules upon either timber or upon lumber, and I give you my reasons therefor.

Digitized by Google

With all due deference to the opinion of the politicians to the contrary, I will say that the South needs, should have, and the people want protection for their timber and lumber. Excepting cotton, it is the largest asset they have to-day. It is here in large quantities. Along the railroads some, it is true, has been cut and removed, but in the interior it is largely virgin, and I am sure that there is enough here to supply the people of the United States for twenty years, especially the cheaper grades, such as pine, and I might add oak. Of these there is a very large quantity. Poplar and walnut are getting more scarce, especially the latter. I know of large quantities of timber that can be bought on the stump to-day at $2 per thousand feet, board measure, and much of it within less than 1 mile of the railroad. But even at this low price the sawmills, a majority of them, are to-day closed down on account of the low prices of lumber. They are unable, they say, to get enough out of it to pay expenses of running their mills. I am not interested in the manufacture of lumber in any shape or form, more than any other citizen who has the interest of his country at heart. But I sincerely believe that it would be a great injustice to the people here to admit lumber or timber free.

I own an interest in 4,000 or 5,000 acres of timber land, 2,000 of this within less than a mile of the railroad, which I have been trying to sell for years, on the stump, at $2 per thousand feet board measure, and have not so far found a purchaser. I have found one party, a mill man, who proposed to take it, if I would accept lumber in payment, at $10 per thousand f. o. b. the cars at the mill. This proposition I refused, as I can buy lumber cheaper and do not feel like selling my timber for less than the price named. This offer refers to pine only. He offered me $4 for my poplar and oak, and proposed to deliver this on the railroad for $20 per thousand, in payment of the same. I am somewhat interested in the manufacture of furniture, and we are buying lumber to-day at above prices f. o. b. the factory. I have been asked by some of the politicians why I am for a protective tariff, and my answer has been for the reason it was for the best interest of the country, the people. I was born and raised in the State of Tennessee, a Democrat dyed in the wool, yet I have voted for every Republican candidate for President that has been nominated by the Republican party since the war, and will include Abraham Lincoln in his second race for President, and the question of tariff was one of my principal reasons for doing so. In this, I have always believed, was the salvation of the country, and will include the Democrats, if not as a party, as citizens of the Commonwealth, and many of the party do and many of the politicians would, I believe, agree with me on this question if they only had independence enough to admit the facts. But here, like many other places, not excepting the North, it is with them the party first and the interests of the country second. The politicians lead and the party follow, a majority at least. You gentlemen know how this is yourselves, and it is therefore the more important that you guard the interest of the people, as they confide in you, the lawmakers and guardians of their interests.

The South, until the panic of October, 1907, was upon an era of prosperity hitherto unknown to this section. This prosperity, in my judgment, was due more to the protective system than to any other one cause. The South is now recovering to some extent, and, I might say, to a very considerable extent from that panic; and if the protec-

Digitized by Google

tive policies of the Government upon the resources of the South is continued, normal conditions will be resumed at a very early date, and the South will go forward by leaps and bounds, exceeding the dreams of the most optimistic. But if the tariff on wood and lumber is removed, then this asset of the South will, in my judgment, be practically paralyzed, and operations in that line will have to cease. I trust, therefore, that your committee will make no change in the present tariff upon this valuable southern asset.

With sincere respect, I beg to remain,

Yours, very truly, J. M. GREER.

MIXER & CO., BUFFALO, N. Y., THINK THAT CANADIAN LUMBER SHOULD BE ADMITTED FREE OF DUTY.

BUFFALO, N. Y., *January 2, 1909.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR SIR: On receipt of a letter from one of our southern connections, of which we inclose a copy, we addressed to them a reply on the subject of the tariff on Canadian lumber, of which we also inclose a copy.

We beg to say in addition to this that we own no Canadian timber, nor are we in any way interested in any Canadian operation in lumber, and, in fact, have very small dealings in the Canadian field. We are, however, financially interested in 150,000,000 feet of standing timber in North Carolina. We can not therefore be accused of bias in either direction when we say that we believe most definitely that the country at large and the lumber trade will be benefited to a large degree if Canadian lumber is permitted to enter the United States free of duty.

We strongly urge that your committee give careful consideration to this question and, if possible, recommend the abolition of the duty on rough lumber.

Yours, respectfully, MIXER & CO.,
Lumber Dealers.
By KNOWLTON MIXER.

DECEMBER 31, 1908.

Messrs. MIXER & CO.,
Buffalo, N. Y.

GENTLEMEN: We would esteem it a special favor if you would kindly give us your views as to the probable effect on prices should the present tariff on lumber be removed on such grades as we are now handling, that is, Virginia short-leaf pine cut into box boards 4/4, 5/4, 6/4, and 8/4, and into framing 2 x 4 to 2 x 12 and squares 4 x 4 to 12 x 12. There seems to be quite a difference of opinion among the lumber people located here as to the effect of the removal of the present tariff on lumber.

Thanking you in advance for an expression from you, and wishing you a prosperous year, we are,

Yours, truly, _____.

Digitized by Google

GENTLEMEN: Answering yours of the 31st ultimo, we do not think that the reduction or elimination of the tariff on lumber would affect the price of North Carolina framing lumber or timbers at all. There is but little white-pine framing lumber manufactured at the present time, and the prices are and will be so much higher than those of North Carolina pine that the $2 per M. difference would not in any way affect it. We are in touch with Canadian prices and can give you an exact idea of the situation by quoting actual prices.

At the present time 2 x 6 and 2 x 8 inch white pine common, 10 to 16 feet, costs $21 and $22 per M. f. o. b. Canadian mill points, which, without the duty, would make the stock cost us $23.50 to $24.50 f. o. b. Buffalo.

North Carolina pine prices delivered Buffalo are about 2 x 6, $18; 2 x 8, $18.50; 2 x 10, $19.50; 2 x 12, $20.50; 2 x 10, $1 higher; 2 x 12, $2 higher; and there is not very much of the stock at that.

Canadian Norway, which is now getting very scarce, sells at about the same price; and, as a matter of fact, about all the product of this stock is taken up by the Canadian and English trade. Practically no white-pine timbers are manufactured in Canada. We know of one mill which does manufacture them, but the prices are so high that we have never been able to sell them on this side of the line. We believe that it would be a great benefit to the lumber trade and to the country at large to admit Canadian lumber free of duty. This, although we are ourselves interested in keeping up the price of North Carolina and yellow pine.

Yours, truly, MIXER & CO.

ADDITIONAL STATEMENTS RELATIVE TO LUMBER AND DUTIES FILED BY THEODORE M. KNAPPEN, MINNEAPOLIS, MINN.

MINNEAPOLIS, MINN., *December 23, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: Some of the lumbermen who appeared before the Ways and Means Committee in the interest of retention of the present tariff on lumber made light of the impending exhaustion of our forests and the consequent manifest necessity of drawing freely on the forest products of other nations, while instituting measures for the conservation of our domestic forests. In view of that attitude, the following reproduction of an editorial article published in the American Lumberman (leading lumber trade publication) September last, will be found interesting and instructive, especially as this publication is now vigorously contending for the retention of the lumber duties. It will be observed that the Lumberman attributes the high price of lumber to the fact that it is getting scarce: "As any commodity in common use and needed by the community becomes scarce, the pressure of competition is felt and prices advance." Yet the American people are asked to continue to tax themselves by the way of tariff on imports for the benefit of an industry whose supply of raw material is getting scarcer and scarcer and will inevitably continue to do so.

Digitized by Google

[From American Lumberman, September, 1908.]

WHITE-PINE PRICES SIXTEEN YEARS AGO AND NOW.

An interesting comparison as to white-pine prices is made possible by three price lists lying before us. All are f. o. b. mill prices at Marinette, Wis. The first bears date of April, 1892; the second, of October 1, 1907; and the third, of July 1, 1908. The last two named are identical in form, having been issued by the same concern only nine months apart, but the first is so different in its items that no complete comparison is possible.

For example, in 1892 thick clears and selects finishing lumber and 8, 10, and 12 inch stocks headed the list. In the present list common boards take the lead. In 1892 there were A selects, B selects, and C selects, and, better, C select and D select. The stock boards of the old list are represented in the inch finishing lumber of the new. In 1892 the headings were wide inch uppers, A select, B select, and C select. In the new list the best grade is D select and better, and there is a division according to the width, which did not exist in the old days.

Except as for a few isolated items, therefore, it is possible to compare only fencing, common boards, some items of flooring, and piece stuff. The table thus made up—not going into all the details of grades and dimensions—is as follows:

	1892.	1907.	1908.	Per cent increase 1907 over 1892.*
Fencing:				
4-inch No. 1	$12.00	$30.00	$28.00	150.00
4-inch No. 2	9.00	26.00	24.00	188.00
4-inch No. 3	7.00	19.00	16.00	171.00
6-inch No. 1	15.00	32.00	31.00	113.33
6-inch No. 2	12.00	29.00	27.00	141.66
6-inch No. 3	9.00	21.50	18.50	138.88
Common boards:				
8-inch No. 1	12.50	30.00	28.00	140.00
8-inch No. 2	11.00	28.00	26.00	154.54
8-inch No. 3	10.00	25.00	22.50	150.00
10-inch No. 1	12.50	31.50	31.50	160.00
10-inch No. 2	11.00	28.00	27.00	154.54
10-inch No. 3	10.00	25.00	23.50	150.00
12-inch No. 1	14.00	37.00	37.00	164.28
12-inch No. 2	12.50	31.00	31.00	148.00
12-inch No. 3	9.50	26.00	22.50	173.68
Flooring:				
No. 1 Fcy	16.50	33.00	32.00	100.00
C Fcy	25.00	47.00	47.00	88.00
Piece stuff:				
12, 14, and 16—				
2 x 4	11.50	23.00	20.50	100.00
2 x 6	10.00	27.50	25.00	175.00
2 x 8	11.00	27.50	25.00	150.00
2 x 10	10.50	29.00	26.50	176.19
2 x 12	11.50	30.50	28.00	165.21
3 x 12	11.50	31.50	29.00	173.91
White pine lath	2.00	5.00	4.00	150.00

* Percentage column added to Lumberman's table.

April, 1892, did not represent the top of the boom which ended with the panic of 1893. Prices continued to advance so that the figures given above can be increased from $1 to $3 a thousand. The advance continued on most items until well in 1893, though warnings of that financial calamity were given some months before. October 1, 1907, however, witnessed the top of the lumber market prior to the panic of last year. July 1, 1908, prices had somewhat recovered from the decline which reached its bottom in April. Still, the difference between October 1 last and July 1, 1908, is a considerable one. Inasmuch, however, as prices of the last year are likely to prevail again within a year or two the list of 1907 should be contrasted with that of 1892.

Almost invariably a price list is at least slightly above the average selling prices, and it is safe to assume that such is the case in the lists here quoted, but the comparison is nevertheless a fair one.

In 6-inch No. 1 fencing the advance was 113.3 per cent; in 6-inch No. 2 it was 141.7 per cent; in 10-inch No. 1 common boards, 144 per cent; in 10-inch No. 2 common boards, 154.5 per cent; in 10-inch No. 3 common boards, 150 per cent. No. 1 fence flooring during the fifteen years increased in value 100 per cent, and C flooring 88 per cent.

Digitized by Google

Price of 2 x 4 piece stuff increased 100 per cent; of 2 by 6's, 175 per cent; of 8 x 8's, almost 160 per cent; of 2 x 10's, 166⅔ per cent; of 2 x 12's, 162.5 per cent.

In 1892 the price of 1¼-inch C selects was $26; in 1907, $49; 2-inch C selects in 1892 were $27, and in 1907, $51.

It is evident from the lower ratio of increase on good lumber that in 1892 that grade of stock had to some extent received the benefit of the advance which later was to benefit the common grades also.

Undoubtedly it is this sort of an advance which has aroused the ire of many people and led to talk of a lumber trust. An average advance of 100 per cent in fifteen years in a commodity based on a natural resource seems enormous; it is merely the expression of inflexible economic influence. As any commodity in common use and needed by the community becomes scarce, the pressure of competition is felt and prices advance. But the advance itself has to be divided among various factors, all influenced by this same pressure of competition.

White pine lumber is scarcer simply because timber is scarcer, and that scarcity has led to competition among the mills for its purchase and use, so that the advance in timber has been in greater ratio than that in lumber.

In addition, prices of all materials and supplies have advanced. From the timbers and brick that go into the construction of a mill building to the machinery and belting and every last appliance and tool, prices are much higher than they were fifteen years ago.

Wages have shown a similar advance in every department of the lumber business—from the woods to loading the lumber onto cars. One exception may be noted, the wages of band-saw filers. In 1892 the band saw, while in general use, was still a new tool, and those who knew how to put it and keep it in condition for work commanded fancy wages, which later, as a larger number of men became expert, declined. Everyone, however, from the common laborer to the skilled craftsman, demanded and received higher prices, so that in 1907 in many lines of work wages were double what they were fifteen years before, and in all, with the one exception noted, there had been a substantial increase.

In spite of all the explanations that can be made, the bald comparison is a startling case. It indicates how far the cutting away of our white pine resources has progressed, and is significant of the future that confronts every other of our great commercial woods. Yellow pine has already begun to feel the influences of restricted timber supply, and within a few years more the west coast woods—even fir, now so abundant—will testify in their prices for stumpage to the fact that they will be the last great resource of our timber uses.

Wages in the lumber industry increased about 25 per cent from 1892 to 1907 (pp. 100–101, Bulletin No. 77, Bureau of Labor), but in 1908 our own inquiry shows that they were reduced from 10 to 20 per cent. However, none of the other great commodities have increased in relative price as much in recent years as lumber. (See pp. 200–301, Bulletin No. 75, Bureau of Labor.) So neither increased cost of labor nor commodities can account for an increase of more than 100 per cent in the wholesale cost of lumber. The increase therefore must be ascribed chiefly to profits and increased cost of stumpage—timber. Increases in these items simply reflect the increasing scarcity of timber supplies; in other words, the exhaustion of our forests. Is it then fair to our people to make them contribute a tax of $2 to $3.50 per thousand of the lumber they must use to put a premium on the destruction of our forests, for the replacing of which they will inevitably be taxed again?

NATIONAL FOREST CONSERVATION LEAGUE.
By T. M. KNAPPEN.

Digitized by Google

STATEMENT OF HENRY KEPPEL, CORRY, PA., RELATIVE TO LUMBER, SUBMITTED BY HON. ARTHUR L. BATES, M. C.

JANUARY 6, 1909.

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
House of Representatives.

DEAR MR. CHAIRMAN: Inclosed find statement of Mr. Henry Keppel, president National Bank of Corry, which I think is a very practical statement on the subject of tariff on lumber.

Very truly, yours,

ARTHUR L. BATES.

CORRY, PA., *January 2, 1909.*

Hon. ARTHUR L. BATES, M. C.

MY DEAR SIR: Having had thirty-five years' experience in the lumbering business, I feel qualified to advise you in relation to the necessities of the American lumbermen as affected by the proposed revision of the tariff. Owing to the immense quantities of timber growing in Canada and the lower wages paid the lumbermen, the American manufacturer is at a disadvantage unless protected by a duty on the imported article. More especially is this true in relation to the lower grades of lumber, which the American manufacturer can dispose of with difficulty even under the protection of a duty, and which would result in a distinct loss under free trade, owing to the very large percentage of low-grade lumber manufactured in Canada.

If any concession must be made it should be made only on the higher grades (those rated as firsts and seconds). The relatively small percentage of the higher grades manufactured operates to maintain prices on these grades at a fair figure, but the influx of large quantities of low-grade lumber from Canada would be a very serious blow to the American industry.

If I have not made the situation clear, I hope you will communicate with me further on the subject, as I know it will command your influence if fully understood.

I have the honor to be,

Very truly, yours,

HENRY KEPPEL,
President National Bank of Corry.

THE GEORGIA-FLORIDA SAWMILL ASSOCIATION SUBMITS RESOLUTION OBJECTING TO CHANGE IN DUTY ON LUMBER.

[Telegram.]

TIFTON, GA., *January 7.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.

The regular meeting of the Georgia-Florida Sawmill Association, held in Jacksonville, Fla., the 5th instant, adopted the following:

Whereas the press dispatches from Washington forecasting the action of the Ways and Means Committee on the various tariff schedules recite the fact that lumber is being named as one of the commodities to go on the free list;

And whereas such action would mean serious and widespread demoralization to all business interests, in that further depression of lumber prices would

Digitized by Google

permanently cripple many of the sawmill and other woodworking industries, and at the same time affect disastrously the wage-earning power of an army of day laborers: Therefore be it

Resolved, That the Georgia-Florida Sawmill Association, in convention assembled, representing 1,400 sawmills and woodworking industries, do most earnestly protest against any change in the present tariff on lumber.

Resolved further, That the president of this association be, and he is hereby, instructed to transmit a copy of this preamble and resolution to Hon. Sereno E. Payne, chairman of the Ways and Means Committee, at Washington, by wire.

H. H. TIFT, *President*.
E. C. PARRELL, *Secretary*.

THE BUSHNELL PUMP COMPANY, BUSHNELL, ILL., THINKS LUMBER NOT A PROPER SUBJECT FOR REVENUE TARIFF.

BUSHNELL, ILL., *January 7, 1909*.

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR SIR: You can put me down as being opposed to the tariff on lumber. With lumber prices more than 100 per cent higher than in the nineties and with our forests being rapidly depleted and in great need of replenishment, I can see no justification—not even for revenue purposes—of a tariff on forest products. To continue the present tariff of $2 to $3.50 a thousand is an injury to the buyer and makes ridiculous efforts for forest conservation.

Very sincerely, yours,

BUSHNELL PUMP COMPANY,
W. M. WEST, *Secretary*.

(Communications identical with the above were received from the following: J. Rufus Wallingford, Canton, Ill.; The Richards Manufacturing Company, Aurora, Ill.; The American Well Works, Aurora, Ill.; The Challenge Company, Batavia, Ill.)

J. E. DEFEBAUGH, EDITOR OF AMERICAN LUMBERMAN, SUBMITS BRIEF RELATIVE TO DUTIES ON LUMBER.

CHICAGO, ILL., *January 8, 1909*.

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: As representing in some measure the opinion and experience of the lumber-manufacturing industry of the United States, I respectfully present for your consideration the following review of some of the leading issues involved in the determination of the proper place of lumber in tariff schedules:

A protective tariff has been at the basis of the financial policy of the United States for many years. Whatever political party has been in power, the idea of protection to American industries has guided the framing of tariff schedules. Historically representing that tariff theory is the Republican party, which in its last national convention reaffirmed that policy, but promised, in case of its success at the polls, a revision of the tariff along lines which should give protection to

Digitized by Google

American industries to at least the extent of the difference between American and foreign wages plus a fair profit to American producers.

Following the election, in which the policy of the Republican party was indorsed by a majority of the voters, your honorable committee began public hearings in preparation for a revision of the tariff schedules. Before you have appeared free traders, those favoring tariff for revenue only, and advocates of protective duties, the last having various ideas as to the degree of protection on different schedules, and some favoring the removal of the duty on some items.

THE LUMBER TRUST.

Particularly insistent have been advocates of a removal of the duty of $2 a thousand on rough lumber. Some of these have apparently been influenced by the erroneous belief, assiduously fostered by misleading or lying statements given wide publicity, that there is such a thing as a "lumber trust," or combinations in the lumber trade which control selling prices. These may be dismissed without special argument and with a simple statement.

Notwithstanding the widely disseminated charges that a "lumber trust" exists, or that combinations control the lumber output and market, prolonged and minute investigations by state and national authorities have failed to show the existence of any such "trust" or combinations; and a brief consideration of the facts that the lumber industry is important in more than thirty States of the Union, that nearly 30,000 sawmills are engaged in the production of lumber, that the raw material of the industry, standing timber, is in the hands of hundreds of thousands of holders, and that no individual, or group of affiliated individuals or companies, hold to exceed 3 per cent of the standing timber in the United States in one instance, and no more than 1 per cent in any other, should settle this question conclusively in the minds of intelligent men, and convince them that there is not now and probably never will be a "trust" which will control the lumber industry of the United States.

The strongest advocates for a reduction or removal of the duty on rough lumber and those entitled to consideration are those who claim that the American industry does not need protection either for the capital invested or the labor engaged in it, and that the removal of the duty will be of benefit to American consumers of lumber and in the interest of forest conservation in the United States.

THE UNITED STATES MUST LOSE REVENUE.

Strangely enough, the strongest advocates for placing lumber upon the free list argue that such an action will not reduce the price of lumber in the United States, while at the same time they urge forest conservation as a reason for the removal of the duty. It would seem that the inconsistency of such an attitude should defeat it. If prices would not be reduced by a removal of the duty, consumers could not be benefited, the cutting of our standing timber could not be checked, and therefore conservation would not be aided, while the Government would lose the revenue heretofore derived from that duty.

Digitized by Google

FREE-LUMBER ADVOCATES INTERESTED PARTIES.

The position of the leading advocates of free lumber may be briefly outlined. Except those who merely, from theoretical or sentimental considerations, desire a removal of the duty, its advocates are all interested parties. They are interested either as owners of Canadian stumpage and manufacturers of lumber in Canada or as professional dealers in the United States on Canadian forest products. To say that the leading advocates of protection for lumber are also interested parties is to acknowledge the strength of the latter's position, for they are interested in behalf of American labor and capital and resources, which the laws of the country should protect and foster, as against those who are interested in foreign capital and labor resources.

Some advocates of the removal of the duty, in communications to your honorable body, have alleged that if the duty were removed the Canadians would immediately add that amount to the mill value of their products and that therefore the American industry would not be injured. If that were to be the result, no American industry would be benefited, while the American Government would lose revenue.

The only valid argument in behalf of the removal of the duty, aside fom the question of forest conservation, rests upon the assumption that the removal of the duty would lower the value of lumber in the United States, and such is believed by advocates of the duty to be the logical outcome, and it is against such lowering of values that they protest. They protest in behalf of American labor, of the security of capital invested in the lumber industry, and of forest conservation.

They believe that the removal of duty would influence prices in the United States chiefly through the low-grade product, which normally is in surplus or difficult to dispose of at remunerative prices in both the United States and in Canada. They believe that the effect of free trade in this important item of commerce between the two countries would tend to lower the rate of American wages, to depreciate the value of timber investments, and to increase waste of forest resources.

THE FOREST-CONSERVATION ARGUMENT.

Those who advocate the removal of the duty in behalf of forest conservation in this country do so on the assumption that importations will be largely increased, which could only be by the lowering of prices, and that the timber not cut will remain an asset for the future. Practical lumbermen say that such a measure would promote forest waste and accelerate the destruction of our forested areas.

Notwithstanding all the explanations that have been made by the lumbermen, it seems difficult for many well-informed men, whose mental processes are usually logical, to understand the grounds on which this argument is based, or its force.

They say that if by removing the duty any Canadian lumber is brought into the United States it will reduce by that quantity the cut of lumber in the United States, and thus save so much American timber. This would be true if the timber not cut were preserved for future growth, and if waste were not thereby increased.

Digitized by Google

For the benefit of those who do not understand the lumbermen's proposition is given the following round-figured, condensed statement of what is legitimately to be expected if protection be removed from lumber. It relates to the rate of lumber production and consumption in the United States and to sawed lumber only.

	Feet.
With protected lumber:	
Production	40,000,000,000
Import	1,000,000,000
Total	41,000,000,000
With free lumber:	
Production	39,000,000,000
Import	2,000,000,000
Total	41,000,000,000

Cutting at rate of 10,000 feet to acre, 40,000,000,000 feet is secured from 4,000,000 acres.

Cutting at rate of 9,000 feet to acre, 39,000,000,000 feet is secured from 4,333,000 acres.

Increase in rate of forest disappearance under free lumber 8.4 per cent.

This country now uses about 40,000,000,000 feet of sawed lumber annually of its own product and imports annually quantities varying from three-quarters of a billion to nearly a billion feet. The above statement assumes the present import to be a billion feet. Under free lumber it is assumed that Canada will be able to export to the United States more than double what she does now, or a total of 2,000,000,000 feet. To do so mills will have to be built and trade relations established, but it may be assumed that within a short time such an increase in her shipments into this country may be realized.

That increase, whatever it may be—and it is assumed for the present purpose to be only 1,000,000,000 feet—will be largely in low-grade stock which ordinarily is in surplus in Canada and also in the United States. The percentage of low-grade lumber in Canada can be greatly increased with the removal of the duty, because then an outlet for that portion of the mill product will be available, whereas now it is to a considerable extent held back by our tariff. With the tariff removed the Canadians will be encouraged to closer cutting in the woods, to a less free use of the refuse burner, and consequently to production of a larger percentage of low-grade lumber.

This low-grade Canadian product will therefore be added to the American low-grade product, which always exists as a surplus except in times of unusual business activity.

HIGHER PRICES AND MORE ECONOMIC USE.

Advancing prices for lumber have increased the output of low grades, because they have made possible a closer utilization of the trees as they stand in the forest, of the logs as they are delivered at the mill, and of the lumber as it comes from the saws.

To lower the price by increasing the supply of low-grade lumber will therefore cause to be left standing in the woods trees that do not promise profitable returns, to leave on the ground in the woods portions of trees which are not worth bringing to the mill, and to abandon or destroy as waste portions of the log product which do not promise to yield a sufficient return upon the market.

Digitized by Google

THE WASTE FROM LOW PRICES.

What this aggregate waste, expressed in thousands of feet will be, or may be, is largely a matter of conjecture. During 1908 under a general business depression it amounted to from 10 to 25 per cent of the quantity of sawed lumber that was secured from an acre of ground under more prosperous conditions. It seems safe to assume that under the conditions which will be brought about by free trade in lumber and a consequent large increase in the supply of low-grade material, this waste will be on the average 10 per cent. This is to say, as provided in the above condensed statement, an acre of land which formerly produced 10,000 feet of sawed material of various sorts will, under free-lumber conditions, produce but 9,000 feet.

If such an estimate be realized, and it seems to be well within the probabilities, instead of less cutting away of our forests there will be a more rapid cutting; for the demands of the country will not decrease, but will have to be met by cutting the better class of timber, which is cheaper to log and manufacture and whose product is more saleable.

According to the round-figure statement above, therefore, our rate of forest destruction, of forest disappearance, under free lumber would be increased 8.4 per cent.

WOODS CONDITIONS UNDER LOW PRICES.

It may be objected that what portion of this waste is left standing in the tree would not be wasted, but would furnish the beginning of a new forest. This would be true if the same conditions which made this abandonment of low-grade trees and logs and sawed material necessary would not forbid the expenditure of the money necessary to safeguard that which was left in the standing tree.

The enemies of the culled-over forest are chiefly three—wind, fire, and disease. Unsound trees or sound trees of certain species, if deprived of the protection of the trees growing around them, will almost inevitably be leveled by high winds. The small and growing trees—the young forest—are threatened by the débris left from logging operations. Trees exposed by removal of surrounding trees are liable to fresh attacks of fungus growth and insects, introducing tree diseases which cause their decay and death.

The only practical way to conserve and perpetuate the forests on land which should be devoted to tree growing instead of crop growing or grazing is to make timber and lumber values so high that it will be possible for timber owners to devote the necessary capital and annual expenditure to the establishment and maintenance of forestry methods; then, with values rendering such methods possible and with protection from unjust and ruinous taxation, the States may justly require the adoption of such methods of handling forest properties as will preserve and perpetuate them for the benefit of future generations, for the protection of watersheds, and the promotion of water power and navigation.

To lower the values of lumber and timber, and particularly of the low grades, is to do just the opposite of what lovers of the country desire. Its only effect, as stated above, must be to accelerate forest

Digitized by Google

destruction and render less possible forest preservation. To remove or lower the duty on sawed lumber will thus promote forest destruction instead of forest conservation.

FREE LUMBER ARGUMENT BASED ON EXCESS OF EXPORTS.

Much importance has been attributed by some who advocate the removal of the duty on lumber to the fact that exports from the United States of wood and its products exceed in value the imports of similar articles. For the fiscal year ended June 30, 1908, the total exports were $81,521,305, while the imports were valued at only $43,527,174.

These figures, however, mean nothing except that the United States produces certain forms of forest products which other countries do not produce at all, or not in sufficient quantities for their needs and the needs of the world, while our imports are largely of forest products which are found in the United States, and therefore are entitled to protection on the general theory of a protective tariff.

More pointed are the arguments made on the theory that Canadian timber resources are so depleted and ours so great that we are able to export forest products to that country, and therefore do not need protection.

The assertion has been made that our exports to Canada are greater than our imports from her. This is a mistake, and a gross one. Leaving out manufactures of wood, which are not lumber in any sense, the principal remaining items are logs, timber, sawed lumber, and shingles.

Last fiscal year our imports from Canada under the heading of sawed lumber amounted to 792,789,000 feet, valued at $14,989,179. Our exports to British North America during the same period were 149,884,000 feet, valued at $4,269,179.

Our imports of logs and round timber, almost entirely from Canada, amounted to 131,327,000 feet, valued at $1,364,439, and our exports to that country of timber, hewn and sawed, were valued at $4,337,766. Our imports of shingles, also almost entirely from Canada, were 988,081,000 pieces, valued at $2,379,242, while our total exports of shingles, few of which went to Canada but mostly to Cuba and other southern countries, were only 20,483,000 pieces, valued at $75,535.

Thus we have a total importation from Canada of timber, lumber, and shingles valued at $18,632,860, while our exports to that country were valued at $9,797,103.

Instead of exporting more lumber to Canada than we import from there, we send her only half as much as she sends us. Still it seems to be a question in the minds of many if this does not prove that we need no protection against Canadian timber.

CHARACTER OF FOREST PRODUCTS SOLD IN CANADA.

This is the general situation: First, what Canada sends us simply takes the place of part of our own product; what we send to Canada is material such as she does not have and for the most part never did have, and which does not enter into competition with her own woods.

Digitized by Google

The latter statement leads to the second point of what our exports to Canada consist. Unfortunately the government reports do not give this data and the information must come from practical knowledge of the matter.

Canada exports to the United States white pine and imports none. She exports to the United States spruce and hemlock and imports none. She exports to the United States shingles and imports none. She exports to the United States also fir and other western woods and imports none, and those varieties include all that she has of timber resources in important quantities.

To avoid being called to task for a misstatement in the above, it should be said that in the western prairie country conditions are somewhat mixed. Western Manitoba, Saskatchewan, and Alberta have been developing rapidly during the last few years, and frequently it has been necessary for settlers there to get lumber regardless of place or price. Consequently, while eastern Montana, the Dakotas, Nebraska, etc., have imported some lumber from Canada, the prairie Provinces have imported some from the United States, but that interchange has been comparatively unimportant. Lumber in its various forms that Canada buys in the United States is chiefly material that she does not have at home, or has at so great a distance from point of consumption that it is unavailable.

FREIGHT RATES DOMINATE TRADE.

Modern construction and the industries demand woods of strength and also large timbers. The wood of strength for construction purposes that is available to the eastern part of the continent is yellow pine, and this wood also produces timbers of large size. Canada has timber that would answer this purpose in British Columbia, but that is so remote from the centers of consumption that it is cheaper to buy yellow pine in the United States and ship it by vessel to Canadian ports, thence to be distributed by rail or lake vessel, than to pay transportation across the continent. So great is the difference in this carrying charge that at a higher mill price yellow pine can be brought up the St. Lawrence and as far west as the Great Lakes in competition with the lower-priced fir of British Columbia. It is only when especially large and long timbers are wanted that in Canada, as in the United States, fir is brought across the continent.

Canada's original resources in hard woods were comparatively small at the beginning, the best being found in southern Ontario, and now they have almost disappeared, there being only a scattering output from hard-wood trees from the wood lots or that grow mixed with the pines, spruce, and hemlock. Therefore, when a Canadian factory needs oak, maple, ash, or hickory it usually has to go to the United States for a supply.

Another large and growing item which enters into the Canadian importation of American lumber is hard-wood flooring. Since the raw material is not found in Canada and is in the United States, it is the great flooring mills of the latter country which supply the demands, not only at home, but in Canada as well. Even more important than hard-wood flooring is yellow-pine flooring for factory and residence use.

Digitized by Google

NO REAL COMPETITION IN CANADA.

What Canada imports from us, therefore—timbers of strength and size, hard woods and flooring—are not and can not be produced in the Dominion.

On the other hand, what Canada has to ship to us grows in the United States, either in the same form or in the shape of satisfactory substitutes.

The spruce of Nova Scotia, New Brunswick, and Quebec competes with the spruce of New England, New York, Pennsylvania, and West Virginia; the white pine and red pine of Ontario with the same species of Wisconsin and Minnesota; the fir, cedar, spruce, hemlock, tamarack, western pine, and western white pine of British Columbia with the same woods in Washington, Idaho, and Montana. Furthermore, the spruce of Quebec competes not merely with the spruce of Maine, but with the North Carolina pine of the Atlantic coast and with the sap pine, which from anywhere along the coast can reach the northeastern markets of this country.

As our white pine has entered into competition for construction purposes, for boxes, and a thousand other uses with yellow pine, so Ontario white pine can compete not only with products of Michigan, Wisconsin, and Minnesota, but with the woods which they meet in competition; and any lumber which is shipped from British Columbia mills to California will displace just so much product that should come from Washington or Oregon.

In exporting lumber to Canada we do not, except in the West, compete at all with her industry, while every foot of lumber shipped from Canada to the United States enters directly into our own domestic competition.

OUR EXPORT PRICES HIGH.

We export lumber and forest products because other countries must have the American goods, and not because we have a surplus to throw away. This is demonstrated by the fact that, on the average, prices for American lumber abroad are higher than at home. Foreign buyers of our "wood goods" have to pay a premium for them. On the other hand, what we get abroad is bought not from necessity but on a price inducement. Any arguments in favor of the removal or lowering of the duty, based on the volume of our lumber exports and imports, must fall to the ground when the facts regarding them are examined.

SPECULATIVE OWNERSHIP OF AMERICAN STUMPAGE.

In the course of an examination of H. H. Tift, of Georgia, one of the leading lumbermen of the Southeast, who appeared by invitation before your honorable body on December 19, much attention was given to a theory that the principal effect of the lumber duty is to increase the value of American stumpage, and, therefore, to promote speculation in timber; and that the timber of the United States, outside of government ownership, is largely held by speculators.

Merely mentioning here the fact that anything which legitimately tends to advance the values of American stumpage is in the interest of

Digitized by Google

forest conservation; the idea that timber is speculatively held to any important extent should be contradicted.

According to Webster, speculation is "the act or practice of buying land, goods, shares, etc., in expectation of selling at a higher price, or of selling with the expectation of repurchasing at a lower price; a trading on anticipated fluctuations in price, as distinguished from trading in which the profit expected is the difference between the retail and wholesale prices, or the difference of prices in different markets."

In so far as the idea of risk enters into the matter, there has never been any important amount of speculation in timber. Frequently timber will be bought outright or on option, with the prospect of an early sale at a higher price, but such transactions are not usually speculative, but in furtherance of definite plans for manufacture. Those who have bought large quantities of timber, not with the idea of manufacture but to sell again, have regarded their purchases as investments in the true sense of the term, inasmuch as they considered no risk was involved, but that the capital thus invested would earn through the increasing value of the property as the years went on an assured profit.

Whether such buying of timber be considered investment or speculation, it is not a prominent factor in timber ownership. There have been in the yellow-pine district—the most important lumber district of the country up to this time—but few such holdings, perhaps a dozen in all of large size. In white pine in former days there was but one important timber property of this description; on the Pacific coast there are to-day but few such holdings, probably not more than a half dozen of any importance.

There are multitudes of small holdings of this nature in all sections of the country. Hundreds, perhaps thousands, of people of assured incomes have thought that they could, with more safety and with a better prospect for profit than is found in most lines of investment of equal safety, put a portion of their surplus into timber, and therefore these hundreds or thousands of people have bought 40 or 160 acres or a section of timber land, which they are holding against the time when it will be needed by some neighboring manufacturer.

TIMBER PROPERTIES ARE HELD FOR OPERATION.

But with the numerous small exceptions mentioned, and a very few important ones, practically all the timber is held, not in a speculative way, not to sell, but as an investment. It is a provision for the future needs of a manufacturing operation. The idea that such holdings are speculative seems to rise from lack of knowledge of the needs of a lumber manufacturing business, perhaps because in earlier days a man could buy a sawmill anywhere in a timbered country and depend upon current purchases of timber or logs to supply his mill. At this time, however, with a better public appreciation of the value of timber, with a general knowledge that the market for it is widening and advancing, no important manufacturing operation can depend upon current purchases. Therefore provision must be made for the future before the operation is started.

It is customary in the lumber business to consider ten years as the normal life of a sawmill. During that period it is supposed that the

Digitized by Google

value of the average mill will be wiped out by depreciation, though, of course, the facts in any particular instance depend upon the conditions surrounding it.

Since the life of a lumber manufacturing business should cover at least ten years of assured operation, a mill that will cut 30,000,000 feet a year must have back of it at the start at least 300,000,000 feet of timber; and since mills are now better constructed than formerly, and since the more progressive and intelligent operators are coming to look upon such investments as permanent ones, even a greater supply than for ten years is desirable in every way. Therefore, when a large lumber manufacturing institution owns 1,000,000,000 feet of timber, whereas it may cut only 50,000,000 feet a year, that holding can not be considered speculative, but is an investment conforming fully to the definition of the word.

Webster says that to invest is "to lay out money or capital in business with the view of obtaining an income or profit." The Century Dictionary says that to invest is "to employ for some profitable use; convert into some other form of wealth, usually of a more or less permanent nature; an expenditure for profit or future benefit; a placing or conversion of capital in a way intended to secure income or profit from its employment."

The greatest segregated holdings of timber in the United States are all investments for the purpose of securing a profit, not through sale, but through conversion into lumber and other forest products by the ordinary processes of lumber manufacture.

CHARACTER OF GREAT TIMBER PROPERTIES.

Frequent reference was made in the hearings before the Ways and Means Committee to the timber holdings of the Weyerhaeusers, of C. A. Smith, of T. B. Walker, of the Long-Bell Lumber Company, of the Kirby Lumber Company, and of others. All these are great timber properties, but every one of them is being held not for sale as timber, but as the basis for future operations. Frederick Weyerhaeuser and his associates have never bought in a speculative way, though sometimes they might sell. They have bought for operation, and being wise have purchased as far ahead of their immediate needs, so as to secure the future of their industries, as their means would permit. They have always operated upon their properties and still do so, though portions of their holdings may stand as a reserve for the future. The same is true of C. A. Smith in regard to his heavy timber holdings in Oregon and elsewhere. The same is true of T. B. Walker and his holdings in California. His timber property is the only great one in the country which is not the basis of present operations, but it was bought for operation, and when the time comes this timber, or the adult portion, will be manufactured, while the property as a whole will be conserved by forestry methods as a perpetuation of lumber production. The Long-Bell and Kirby properties are being actively operated. The same is true of the large holdings of the Great Southern Lumber Company and many others.

In short, practically none of the large holdings of the timber in the United States are open to attack on the ground that they are held in a speculative way. They are investments in the truest sense of the word and designed to perpetuate an industry of importance

Digitized by Google

to the country. If they are open to attack as such, every holder of real estate, every owner of town or city property who has seen its value increase, every farmer who entered a homestead and now realizes a value of $100 an acre, every mine owner, every investor in oil lands, is equally open to attack.

If investments in timber properties are to be challenged because they have increased in value with the passage of time, an attack is made upon the very foundation of property rights in the United States.

If we have to come to the time when the increment value of real estate is to be forfeited to the public and socialism is to rule, such an attack on timber properties is justified, but not otherwise. To demand a removal of the duty because timber lands have increased in value is to embrace socialism.

THE SHINGLE DUTY.

Few, if any, objections are found to the request that the duty upon shingles be retained. The chief shingle timber is cedar, of two species—the white cedar of the East and the red cedar of the Pacific Northwest, the latter furnishing by far the larger part of our domestic supply. Shingles are made from other timber, but in comparatively small quantities.

In the East for many years the white cedar shingles of New Brunswick have entered eastern markets of the United States in large quantities in spite of the duty, and during the last three years red cedar shingles manufactured in British Columbia have been entering our markets in increasing quantities. The largest shingle importations on record were during the fiscal year ended June 30, 1908, and amounted to 988,000,000 pieces. These shingles all paid the duty of 30 cents a thousand, and the manufacturers were glad to export on those terms.

Their ability to do so rests on the fact that the Canadian shingle industry, both east and west, is based upon abundant and cheap supplies of green timber; whereas across the line in the United States the material is largely down timber and the refuse from earlier logging operations; on the further fact that in the East Canadian labor employed in shingle manufacture receives lower wages than American labor in the same occupation, and on the Pacific coast because Asiatics are used to the extent of 75 per cent of the total number of employees, while their "slow carefulness" enables them to produce at a low cost to their employers an article which in quality will compete with the best shingles of American production.

The duty on shingles is particularly important to the manufacturers of Washington, Oregon, Idaho, and Montana. In Washington about 15,000 men are employed in the shingle mills, and if the duty were removed practically all of these mills, except the comparatively few operated in connection with sawmills, would be obliged to go out of business and their employees to seek other lines of work or remove to British Columbia, thus being lost to the United States.

The retention of the duty on shingles is particularly important to labor, but hardly less so is the retention of the duty on lumber of importance to the men engaged as wage-earners in the sawmills and logging districts of the United States.

Digitized by Google

LABOR PHASE OF THE LUMBER TARIFF.

The argument is made by some that the removal of the lumber duty will not at all affect prices in the United States. If that be true the only immediate gain would be to the foreign lumber manufacturers and the only immediate loser the United States Government, to the extent of the duty which it would cease to collect, but with a probability of further development of the lumber industry in Canada and Mexico more rapid than in the United States, and an increase in opportunities for labor in those countries rather than in this. But if, as lumbermen believe, it would lower prices by the introduction of a larger quantity of Canadian lumber, which would enter into competition with the domestic output, one of two things must happen to labor—it must remove from the United States to Canada or Mexico, where its wages will be expended instead of in the United States, or it must accept lower wages.

The facts as to wages, as developed by testimony before your honorable committee and elsewhere, are, in brief, these:

In the maritime provinces of Canada and in Quebec wages are decidedly lower than in the United States and the scale of living is lower on the average than in adjoining sections in this country.

In Ontario, particularly in western Ontario, the difference is not so great, though Canadian wages average lower than American, with a few instances of higher wages than the American average being paid, because it was necessary to offer inducements to American laborers to cross the line.

In British Columbia the rate of wages in the woods is about the same as in Washington. In the sawmills wages in some cases as high or a little higher than the American scale are paid, except that much of the common labor is oriental, receiving a wage only 50 to 80 per cent of that paid south of the line. On the average the scale of British Columbia wages is a little lower than that paid in the corresponding districts in the United States.

In Mexico common labor is very much lower than in this country, but the development of the lumber business in the forests of Chihuahua and Sonora, which would follow the removal of the duty, would require skilled labor from the United States that would have to be paid American wages.

Unless our shipping laws be modified with the removal of the duty foreign lumber producers would have another advantage in the lower wages paid on foreign ships. This advantage now exists, but it is offset, where it is felt, by the duty.

Granted that the free admission of foreign-sawed lumber to the American markets would lower prices because of increased import, the sawmill and woods labor of the United States would have to face a reduction in wages, or would have to seek some other employment, or remove to Canada or Mexico to follow the development of the lumber business outside of the United States, which would be encouraged by the act of our Government.

J. E. DEFEBAUGH,
Editor American Lumberman.

Digitized by Google

HON. D. F. LAFEAN, M. C., SUBMITS LETTER FROM RED LION LUMBER COMPANY, BURGAW, N. C., RELATIVE TO CANADIAN LUMBER COMPETITION.

BURGAW, N. C., *January 7, 1909.*

Hon. D. F. LAFEAN, M. C.,
Washington, D. C.

DEAR SIR: By the unanimous consent of our stockholders I am requested to write you relative to tariff question on Canadian lumber. I presume you are thoroughly acquainted by this time on the proposed reduction on same. There was a meeting at Washington not long ago when the representatives of all the lumber and timber interests had a hearing before the Ways and Means Committee. The question was thoroughly discussed, and the unanimous plea of the lumber and timber interests want the tariff to remain as it is. If the tariff should be taken off, it will cripple the whole lumber industry of the Southern States. We are only small investors in southern timber, comparatively speaking, but the $2 per thousand reduction on Canadian lumber will mean, at least, a loss to our company alone of $30,000, and we would be compelled to cut over our timber leases and only cut about 50 per cent of the best logs and leave the rest lay in the woods and rot in order to save part of our investment; and besides, we will have to cut the wages down of our laborers at par with the oriental laborers of Canada.

On a competitive basis Canada has already the best of American manufacturers of lumber. Their stumpage does not cost them half what we must pay, and they can reach New York by vessel—rate about half what we must pay from North Carolina. They have cheaper labor. There is quite a sentiment on forest preservation among some of our government officials, and they seem in favor of reduction of $2 per thousand tariff on Canadian lumber. Flooding our country at this time with cheap Canadian labor will not preserve our forests. It will only hasten the depletion instead. Inclosed find few clippings from the American Lumberman. Read what Doctor Shenk, the great German authority on forestry, thinks about it. The cry of a timber famine in thirty years is a misconception by some who do not understand the timber question. There is enough timber in our Southern States to flood this country for fifty years to come, and there is enough now manufactured to do us for two years without cutting any more. The market is full of all grades. By looking over the large wholesale yards in our lumber centers there are mountains of stacked lumber weather-beaten waiting for buyers and consumers. The prices on lumber have fallen since 1907 so that the sawmill men are at a loss whether to run their mills and try and make costs or run chances of better conditions; and this tariff question is a serious thing at this critical time for the timber and lumber men of the South. We hope you will do your utmost to leave the tariff on Canadian lumber as it now stands. While the protection is not enough for our American interests, yet we would be satisfied to let well enough alone at this time. Any questions you may want to ask on this matter, or explanations, I will be glad to explain, and would like to have a talk with you on this tariff question when you are in York, at your office.

Yours, respectfully,

WM. F. BAUGHMAN,
President and Manager Red Lion Lumber Company.

Digitized by Google

LOW-GRADE LUMBER.

EDGAR H. BUCKLIN, OF ITHACA, N. Y., WISHES THE DUTY REMOVED FROM LOW-GRADE LUMBER.

ITHACA, N. Y., *December 1, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
Washington, D. C.

DEAR SIR: From the testimony before your committee against the reduction or removal of the duty on lumber, I note that it is claimed that higher prices tend to the conservation of the forest, for the reason that a market is provided for the low-grade lumber in the tree tops that otherwise would be left in the woods. Experience and observation show that when there is a demand for lumber of that grade at good profit there is also a demand for lumber from small trees, and the trees that should be left standing for future supply are all cut into lumber, even trees of 5 inches in diameter on the stump, and the forest land is denuded.

One of the reasons of the large supply in the market of low-grade lumber is that on account of the high prices that have prevailed a large proportion of lumber has been cut that should have been left standing for future growth.

The small mills which are portable are particularly destructive to this young growth, because it is easier for them to handle, and the large operators can log cheaper if they log both small and large timber—everything marketable—at the same time and first operation.

When only the larger timber was taken, several cuttings were made at different times from the same land, and the tops and stumps were finally used up, as has been done generally in the State of Michigan.

The tariff on low-grade lumber tends to increase the destruction and cutting of small trees and the consequent destruction of the future forest.

Canada more wisely admits all these grades free of duty upon which our tariff is $2 per thousand feet in the rough and $3 per thousand if planed, like common house studding, joists, rafters, and general dimensions. The result is that the public are forced to use at high prices a poor grade of lumber that will soon decay and the future supply is exhausted in the destruction of the young trees.

I have seen the Diamond Match Company in their mill at Keene, N. H., cutting into crate stock pine 3 inches in diameter in the log. Hemlock in New York State is being cut that will make one piece 4 inches square and 10 feet in length.

The cutting of small trees by mills is general throughout the eastern portion of the our country, and in a lesser degree is taking place in the West. Immediate additional profits is all that concerns a vast majority of the lumbermen. Statistics show that in the year 1907 in the production of white pine the little State of New Hampshire was third, with a production of nearly 400,000,000 feet, and as stated by the "American Lumberman" of November 21, 1908: "Evidently, however, this lumber was cut from low-grade timber as the mill value given was only $17.46 per thousand feet," which means that a very large proportion of it was sapling or second-growth pine from small trees, and the whole cut was made by 442 mills, only averaging about

900,000 feet to the mill for the whole year's cut—which is only an illustration of general conditions. This shows conclusively how our young timber is being slaughtered.

There should not exist an artificial stimulus in the shape of a protective tariff to hasten its destruction and all that it implies. Will you please file this with your committee.

Very respectfully, yours,

EDGAR H. BUCKLIN.

LUMBER AND COAL.

H. L. STOWELL, ELLENSBURG, WASH., WANTS CHEAPER LUMBER PRODUCTS AND FREE CANADIAN COAL.

ELLENSBURG, WASH., *November 25, 1908.*

CHAIRMAN WAYS AND MEANS COMMITTEE,
Washington, D. C.

DEAR SIR: As a lifelong Republican, and always in favor of a tariff to protect American industries and labor, have voted for every Republican President since Abraham Lincoln until now, and want to say a word on the present situation as concerns lumber and coal. I am forced to the conclusion that we should have the duty removed on both these articles, so far as Canada is concerned, and admit Canadian coal and lumber free. We are living here in the region of the greatest lumber country on earth, and still the price of lumber is kept at a high figure by a combination of lumber forces. The greatest mills in the world are cutting millions of feet annually, and still, to keep up the price, they will close down all the mills, and thus keep building material very expensive.

Now, some of the best and largest coal mines in the State of Washington are within 25 miles of this city. They sell this coal at $2 to $2.25 per ton at the mines, but they run it down here, 25 miles, all down grade—would come by gravity—and we have to pay $6.50 a ton for mine run, half dust. These companies have paid of late enormous dividends. They used to sell a better grade of coal here at $4.25 a ton. Now, I am in favor of letting Canadian coal in, duty free.

It's folly to say these people can't compete; they are simply soaking their own countrymen in order to pay big dividends. Give us a "square deal."

Very respectfully, H. L. STOWELL.

LUMBER AND GLASS.

THE MACY COMPANY, GRAND RAPIDS, MICH., FURNITURE MANUFACTURERS, ASK TO HAVE THE DUTIES REMOVED FROM GLASS AND LUMBER.

GRAND RAPIDS, MICH., *December 8, 1908.*

CHAIRMAN WAYS AND MEANS COMMITTEE,
House of Representatives, Washington, D. C.

GENTLEMEN: This corporation is engaged in the manufacture of furniture. Its annual sales average more than three-quarters of a

Digitized by Google

million dollars. Its annual consumption of materials approximate the following:

Lumber, 3,000,000 board feet; veneers and panels, 2,000,000 superficial feet; value of both items, $150,000.

Window glass, 600,000 square feet; value, $25,000.

Hardware for furniture trimmings, etc., $50,000.

Glue and finishing materials, $25,000.

We are offered glass in French and other foreign markets at about one-half the domestic prices, and of better quality, but the hazards of transit, the duty, and other restrictions operate to place us at the mercy of domestic producers who have never failed to exact tribute to the limits made possible by the artificial and other restrictions imposed on imports, and when we consider the duties on glass amounting to about 100 per cent, on lumber $2 per thousand feet, and similar duties on other materials, it is quite evident that we are paying $30,000 and upward in duties for which we can see no benefit, and which stands in our way when we attempt to market our products abroad.

The average wage per person in our plant for two years last past, including all wage-workers, exclusive of officers and clerks, was $1.80 per day. In England, Holland, France, and Germany the wage rates for similar and like services equal about 70 per cent of ours, but the cost of packing, transport, selling, and other circumstances makes foreign competition with our furniture in our markets impossible.

The furniture industry needs no protection if given free lumber and free glass, and exports would be largely increased through reductions in cost which would result from free material.

We earnestly appeal to the members of your committee and to Congress to place glass and lumber on the free list. We are fully convinced that by so doing it will in the end prove a blessing to the glass industry, which has long been a monopoly, and therefore is not developing on the lines of true economy and permanency.

Yours, truly,

THE MACY COMPANY,
O. M. WERNICKE, *President.*

LUMBER, GLASS, AND IRON.

HON. J. ADAM BEDE, M. C., FILES LETTER OF THE SCOTT-GRAFF LUMBER COMPANY, DULUTH, MINN., RELATIVE TO DUTIES ON LUMBER, GLASS, AND IRON.

WASHINGTON, *December 31, 1908.*

WAYS AND MEANS COMMITTEE,
House of Representatives, Washington, D. C.

GENTLEMEN: Inclosed herewith please find statement on the revision of the tariff, which I have just received from a large lumber firm in my district, asking me to file the same with your committee.

Thanking you for any consideration you may give the letter, I am,

Very truly,

J. ADAM BEDE.

Digitized by Google

DULUTH, MINN., *December 23, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: We beg to present our conclusions in regard to tariff revision, which is under consideration by your committee.

We do not ask any duty, nor never did, on lumber, and hope that it may be removed. We believe that our industry can stand on its own feet without political or governmental assistance. If it can't, we are willing to take the consequences. We also hope that your committee will make reasonable and large deductions on the duties on glass and iron products. We of the Northwest have been paying a heavy tribute to the manufacturers of the Middle East for these many years and we protest against its continuance.

Now, in regard to the best method by which this reduction can be made, would suggest that it be done on a sliding scale, so that those interested can put their business in order so that they may be able to meet the prices that such a change may involve.

We hope that Congress will call the bluff made by the Steel Corporation by its chairman, Mr. Gary, before your committee.

Yours, very truly,

SCOTT-GRAFF LUMBER CO.,
Z. D. SCOTT, *Vice-President.*

LUMBER AND LAMPBLACK.

GODFREY M. CABOT, BOSTON, URGES REMOVAL OF DUTY FROM LUMBER AND CONSENTS TO FREE LAMPBLACK.

BOSTON, *November 21, 1908.*

COMMITTEE ON WAYS AND MEANS,
House of Representatives, Washington, D. C.

GENTLEMEN: Years ago I was able to buy my cooperage to advantage in Canada, but since the enactment of the increased duty on lumber I have been unable to do so.

I respectfully submit that this is an injustice to me and without any corresponding benefit to the people of the United States as a whole. It is not the best interest of this country to stimulate the mad race to deplete our lumber resources. I own two factories on the bank of the Little Kanawha River and we are troubled, in common with all dwellers and interests along this river, by the big floods which have a tendency to be more and more serious from decade to decade. On the other hand, low water in summer has a tendency to reach greater extremes in each recurring decade.

Last summer I walked across the Little Kanawha River near the town of Big Bend, Calhoun County, W. Va., dry-shod.

It is the well-nigh universal opinion of geologists and other experts who have made a study of it that the seesaw between extreme flood and extremely low water in our streams and rivers is greatly aggravated by the depletion of our forests, and it is not sound public policy by artificial restraints of trade to aggravate this tendency.

My attitude on this question is logical and consistent, for I do not ask or desire any protection on my own manufactured article and shall not turn a hand or utter a syllable against the removal of the

Digitized by Google

duty on lampblack by which I am protected, if this comes to the consideration of Congress. All I ask is a fair field and no favor. Let me buy my products on the same basis of price that American goods are sold to Europe when I buy of American manufacturers, and let me buy on the same basis of price, plus freight, as Canadians or other foreigners pay for such articles as I might wish to import, and I am ready to stand or fall by my ability to produce better goods and cheaper goods than my customers can elsewhere obtain without any artificial restraints of trade.

I do not know what the feelings of the other makers of carbon black are on this matter, but I am by far the largest maker and I do know that their interests coincide with mine.

Yours, very respectfully,

GODFREY M. CABOT.

WHITE PINE.

GRAVES, BIGWOOD & CO., BUFFALO, N. Y., REQUEST THAT WHITE PINE LUMBER BE PLACED ON FREE LIST.

BUFFALO, N. Y., *December 3, 1908.*

The WAYS AND MEANS COMMITTEE,
House of Representatives, Washington, D. C.

GENTLEMEN: We respectfully request you to place white pine lumber on the free list. We submit the following reasons:

The supply of white pine lumber in the United States, for wholesale distribution in the Central and Eastern States, is practically exhausted. The distributing markets of Bay City, Saginaw, and Detroit, Mich.; Cleveland, Toledo, and Sandusky, Ohio; Buffalo, Tonawanda, and Albany, N. Y., depend for their existence upon moving lumber from mill points by lake transportation.

The ability to assemble lumber at a low cost for transportation has created these markets. The source of supply originally was the great Saginaw district, including the extensive product of the Saginaw River and all Lake Huron points. As this lumber was cut off the Lake Michigan and Lake Superior mills met the demand. The Lake Michigan territory is substantially exhausted, and for the last few years the white pine supply has come largely from the head of the lakes, in the Duluth district. This section is now nearly cut over, and what timber remains is largely controlled by the Weyerhaeuser companies and one other large interest, and a considerable portion of their product is shipped direct by rail to the consumer.

We inclose a clipping from the Buffalo Commercial of November 27 showing the tendency to consolidate these interests. You will find this combine confirmed in the Wall Street Journal of November 30, and it will be easily apparent that there will be small opportunity for eastern wholesalers to purchase lumber to advantage from this single company.

In the Georgian Bay district of Canada, across Lake Huron, there is a considerable stand of timber, sufficient to form a source of supply for the eastern markets for a good many years to come. There is no chance for a lumber combine in Canada. The holdings of timber are in many different hands, representing a great variety of primary

Digitized by Google

interests. Lumber can be shipped from this section for an average freight of $1.75 per thousand to all eastern lake distributing points. So long as the eastern markets have such a source of supply they will be able to continue business. Without this supply of all these large markets will soon cease as distributing points. This can be easily confirmed.

The same arguments would apply to the lumber produced in the Ottawa Valley as related to New York City and New England points.

The cost of producing 1,000 feet of lumber, including the cost of putting the logs into the water, driving the logs by water to the manufacturing point, and the manufacture of the lumber, is equal to or in excess of the cost of production at any point in the United States where white pine lumber is now manufactured. Where the logs can be delivered to the mills by water the natural obstacles make the cost excessive.

As a fair measure of reciprocity, Canadian lumber should be admitted to the United States free of duty. While Canada is a highly protective country, lumber is admitted from the United States free of duty. There has been strong pressure brought to bear upon the Ottawa government to impose a $2 duty to meet the tariff regulations of the United States. This has always been resisted in order to give the Northwestern farmers access to the American markets, and there is no prospect of a duty ever being imposed on rough lumber from the United States into Canada.

Another most imperative reason for admitting lumber from Canada into the United States free of duty is to conserve the timber supply of the United States. With rapidly diminishing forest resources, there are good economic reasons for attracting all of the Canadian product to the United States, which would result with free lumber, only excepting what is required for Canadian consumption.

There is no particular part of the Canadian product that would come here to compete with American woods. The American markets demand the entire product of the log. The situation in the lumber business to-day is so clearly defined that what is remaining of hemlock in Pennsylvania and white pine in the Western States has outlet in exclusive channels. There is no competition between white pine and hemlock, and practically no competition between white pine and southern woods. During the depression in the lumber industry, which has been current this year, lumber from the South has been shipped all over the North and into Canada, and white pine has been sold where required for exclusive purposes.

We are large manufacturers of lumber in Ontario, with an old-established business in this city. Our original source of supply was the Saginaw River district, and we then followed the producing points of white pine lumber all over the Lakes, and have finally been forced into Canada.

While we advocate the abolition of all duty on rough white pine lumber, we think the present prohibitive rates on lumber dressed or matched before being brought into this country should be continued. This is a subject entirely divorced from that of raw material and affects a good many workingmen on this side.

Hoping to receive your favorable consideration, believe us,

Respectfully,

GRAVES, BIGWOOD & CO.

Digitized by Google

HON. D. S. ALEXANDER, M. C., FILES LETTER OF FENTON & SONS BOX AND LUMBER COMPANY, NORTH TONAWANDA, N. Y., RELATIVE TO WHITE PINE.

WASHINGTON, D. C., *December 10, 1908.*

Hon. S. E. PAYNE, M. C.,
Chairman Committee on Ways and Means.

MY DEAR MR. PAYNE: Inclosed please find letter from Mr. A. G. Sherman, secretary Fenton & Sons Box and Lumber Company, North Tonawanda, N. Y., who favors placing white-pine lumber on the free list. Kindly file their letter where it will have attention at the proper time.

Very truly, yours, D. S. ALEXANDER.

NORTH TONAWANDA, N. Y., *December 8, 1908.*

Hon. D. S. ALEXANDER, M. C.
Washington D. C.

DEAR SIR: Referring to the matter of tariff revision, which is now being considered by the Ways and Means Committee of the House of Representatives, we have decided to communicate with you, and through your kind offices to the Ways and Means Committee, our firm conviction that the time has arrived when all duty should be removed from rough white-pine lumber imported from Canada to this country. The conditions of the white-pine lumber trade in this country has assumed a form during the past few years so that it is now almost impossible for manufacturers to obtain an adequate supply of this lumber from our home markets. Many of them have experimented extensively with southern pine, in the efforts to substitute it for white pine, but this experiment has not been successful, and it is conceded that there is no lumber to be obtained from our home product that can be substituted for the regular western white pine; and as the western white pine is now very nearly exhausted, and as the small amount still available is controlled by a very small number of dealers, the future of the manufacturing interests dependent upon the present sources of supply in the white-pine lumber trade becomes exceedingly precarious.

If there ever has been any reason why the white-pine interests of this country should need protection, that reason has certainly vanished, and the question confronting large business interests of our country to-day involves a new source of supply in white-pine lumber or an extermination of their business.

Very much more could be said upon this subject, but we feel sure that you are in possession of extensive information and that you are aware of the strong sentiment in favor of free trade in Canadian white pine, and we therefore confidently expect that you will exert your influence to bring about this desirable end.

Yours, truly,

FENTON & SONS BOX AND LUMBER COMPANY,
A. G. SHERMAN, *Secretary.*

Letters similar in purport to the above from J. P. Mackenzie, of North Tonawanda, N. Y.; James Fenton, and Hurd Brothers, of Buffalo, N. Y., were also filed by Mr. Alexander.

Digitized by Google

interests. Lumber can be shipped from this section for an average freight of $1.75 per thousand to all eastern lake distributing points. So long as the eastern markets have such a source of supply they will be able to continue business. Without this supply of all these large markets will soon cease as distributing points. This can be easily confirmed.

The same arguments would apply to the lumber produced in the Ottawa Valley as related to New York City and New England points.

The cost of producing 1,000 feet of lumber, including the cost of putting the logs into the water, driving the logs by water to the manufacturing point, and the manufacture of the lumber, is equal to or in excess of the cost of production at any point in the United States where white pine lumber is now manufactured. Where the logs can be delivered to the mills by water the natural obstacles make the cost excessive.

As a fair measure of reciprocity, Canadian lumber should be admitted to the United States free of duty. While Canada is a highly protective country, lumber is admitted from the United States free of duty. There has been strong pressure brought to bear upon the Ottawa government to impose a $2 duty to meet the tariff regulations of the United States. This has always been resisted in order to give the Northwestern farmers access to the American markets, and there is no prospect of a duty ever being imposed on rough lumber from the United States into Canada.

Another most imperative reason for admitting lumber from Canada into the United States free of duty is to conserve the supply of the United States. With rapidly diminishing [illegible] there are good economic reasons for attracting all [illegible] product to the United States, which would res[illegible] only excepting what is required for Canadian [illegible]

There is no particular part of the Can[illegible] come here to compete with American w[illegible] kets demand the entire product of th[illegible] lumber business to-day is so clearly [illegible] of hemlock in Pennsylvania and w[illegible] has outlet in exclusive channels. [illegible] white pine and hemlock, and pr[illegible] white pine and southern woods. [illegible] industry, which has been current [illegible] been shipped all over the Nort[illegible] has been sold where required f[illegible]

We are large manufacturers [illegible] established business in this city [illegible] the Saginaw River district, [illegible] points of white pine lumber [illegible] forced into Canada.

While we advocate the [illegible] lumber, we think the pr[illegible] matched before being [illegible] tinued. This is a su[illegible] rial and affects a go[illegible]

Hoping to receiv[illegible]

Respectfully [illegible]

Digitized by Google

HON. D. S. ALEXANDER, M. C.
BOX AND LUMBER
RELATIVE TO WHITE PINE.

Hon. S. E. Payne, M. C.
Chairman Committee on Ways and Means.

My Dear Mr. Payne:
Sherman, secretary
Tonawanda, N. Y.
free list. Kindly
the proper time.

Very truly,

gaged in
ce myself
l products
e a $2 per
to all men
pine lumber
f houses and
ular purpose.
itself into the
arcity of same.
ory men in the
patterns for iron
competition with
which is used in the

Hon. D. S. Alexander, M. C.
Washington, D. C.

Dear Sir: Referring to the
now being considered by the
House of Representatives
and through your kind
our firm conviction that the
be removed from
to this country. The
this country has
it is now almost
supply of this lumber
experimented
stitute it for white
and it is conceded
home product
pine; and as the
as the small
ber of dealers
upon the
becomes
If there
this coun
ished,
country
or an
Very
that
are
whi

is just and equitable
ber on the free list, I
ing in exchange from
uld be spruce pulp wood
the Province of Ontario,
I am informed this par-
is prohibiting the exporta-
stipulations in the sale of
committee will give my request
material favorable considera-

C. M. Zengerle.

S, AND SHINGLES.

194, 195, 201, and **203.]**

S OF THE UNITED **STATES FILE BRIEF**
ION OF PRESENT **DUTIES ON LUMBER,**
S.

Washington, D. C., *November 25, 1908.*

Members of the Ways and Means Committee.

TLEMEN: The manufacturers of lumber, laths, and
nited States, 28,850 in number, and upon whom are
y 3,500,000 persons and a large number indirectly, re-
it, in addition to the testimony already presented to
orally, the following brief, requesting that you do
esent duty on lumber, laths and shingles.
s believe that if the duty on lumber, lath, and shin-
will work a hardship on the fourth largest indus-
States, as well as force a reduction in the wages

tion demands more attention than reforestation.
f economy teaches us that a sufficient value should
y article of commerce to enable it to be used in its
utmost advantage. Actual experience proves that

Digitized by Google

PENCIL CEDAR.

THE GULF RED CEDAR CO., RICHMOND, VA., ASKS THAT SIDED OR SQUARED RED CEDAR BE ADMITTED FREE OF DUTY.

RICHMOND, VA., *November 16, 1908.*

Hon. SERENO E. PAYNE, Esq.,
Chairman Committee on Ways and Means,
House of Representatives, Washington, D. C.

DEAR SIR: We beg to call your attention to the fact that tariff act of July 24, 1897, contains no clause applicable to red cedar (*Juniperus virginiana*), which is commonly known in this country as pencil cedar, the clauses Nos. 198 and 700 clearly referring to cigar-box cedar or Spanish cedar (*Cedrella odorata*).

Up to the time of this act, there had been no red cedar imported into this country, and we are anxious to get this timber in the new act. Up to the present time the pencil manufacturers of the world have found the red cedar of the States better suited for their purpose than any cedar known, but owing to the fact that the life of the cedar in the United States will only last a very few years, the pencil manufacturers will be forced soon to go to foreign countries for this timber.

We understand that all logs brought into this country, whether round or hewed, are free of duty. To this class on the free list, we would like to have added red cedar, sided or squared. The fact of siding or squaring in no way enhances its value in this country over hewn logs, but owing to the difficulty of getting good hewers in foreign countries, we might find it to our advantage to bring this timber in sided or squared. All of this red cedar would be worked up into very small boards for lead pencils, or cut into tongued and grooved boards for cedar closets. None of this timber would be used in the original shape in which it is brought in.

If your committee sees fit, we would like to have entered on the free list the following clause:

Red cedar (*Juniperus virginiana*) timber, hewn, sided, squared, or round.

It will be perfectly agreeable to us should you wish to add to this:

provided it is not used in the original shape in which it is brought in.

Very respectfully,

GULF RED CEDAR COMPANY,
W. H. PARRISH, *President.*

SPRUCE PULP WOOD AND LOGS.

C. M. ZENGERLE, DETROIT, MICH., SUGGESTS A TRADE ARRANGEMENT WITH CANADA ON LUMBER PRODUCTS.

DETROIT, MICH., *November 23, 1908.*

Mr. SERENO E. PAYNE, Esq.,
Chairman of Ways and Means Committee,
Washington, D. C.

DEAR SIR: I take pleasure in advising you that I am engaged in the business of buying and selling all kinds of manufactured lumber

Digitized by Google

at wholesale and retail at Cleveland, Ohio. I have been engaged in this business during the past thirty years, and I wish to place myself on record for free lumber and all other wood raw-material products from Canadian markets. It is really ridiculous to continue a $2 per thousand tax on pine lumber when it is so clearly known to all men familiar with the present lumber trade that at this period pine lumber is sidetracked as a building material in the construction of houses and southern yellow pine has taken its place for that particular purpose.

At this period Canadian pine lumber has developed itself into the raw-material class on account of its high prices and scarcity of same. At the present time it is nearly wholly used by factory men in the manufacture of doors, window sash, moldings, and patterns for iron castings, etc., and therefore it does not come in competition with other lumber manufactured in the United States which is used in the building trade.

However, while I am firmly convinced that it is just and equitable to the American people to place Canadian lumber on the free list, I do suggest that you should demand something in exchange from Canada in return for this favor, and that should be spruce pulp wood and logs free of Canadian export duties in the Province of Ontario, Georgian Bay and Lake Superior districts. I am informed this particular item (spruce pulp wood) Canada is prohibiting the exportation into the United States by government stipulations in the sale of spruce-timber lands. Believing your committee will give my request for free lumber and all other raw-wood material favorable consideration, I remain,

Yours, very truly, C. M. ZENGERLE.

LUMBER, LATHS, AND SHINGLES.

[Paragraphs 194, 195, 201, and 203.]

LUMBER MANUFACTURERS OF THE UNITED STATES FILE BRIEF REQUESTING RETENTION OF PRESENT DUTIES ON LUMBER, LATHS, AND SHINGLES.

WASHINGTON, D. C., *November 25, 1908.*

Hon. SERENO PAYNE,
Chairman, and Members of the Ways and Means Committee.

HONORABLE GENTLEMEN: The manufacturers of lumber, laths, and shingles of the United States, 28,850 in number, and upon whom are dependent nearly 3,500,000 persons and a large number indirectly, respectfully submit, in addition to the testimony already presented to your committee orally, the following brief, requesting that you do not reduce the present duty on lumber, lath, and shingles.

Your petitioners believe that if the duty on lumber, lath, and shingles is reduced it will work a hardship on the fourth largest industry in the United States, as well as force a reduction in the wages paid to labor.

Forest preservation demands more attention than reforestation. The natural law of economy teaches us that a sufficient value should be allowed for any article of commerce to enable it to be used in its entirety and to the utmost advantage. Actual experience proves that

Digitized by Google

low prices compel the destruction of a large share, probably one-half, of our timber supply. The lumber manufacturer knows that an increase in the supply of lumber upon an already overburdened market must reduce the price he received, but because he has no control over the avenues of distribution he can not say what will be the effect on the price to the consumer.

If the market of the United States is opened to the competition of foreign producers on more favorable terms than now exist, the same waste now prevalent in lumber operations in this country will be sure to follow elsewhere. A great deal of comment is made upon the present prices asked for timber, but its value per thousand feet is only a fraction of the cost of the finished product when delivered to the consumer.

The recession of timber supply, causing increased cost of transportation to the centers of consumption, together with increased cost of lumber and supplies, accounts for the greatest proportion of advance in lumber prices. The annual crop of many agricultural products will produce as much yearly in net returns per acre as will an acre of timber carried a lifetime and from which only one crop can be harvested.

Timber is nonproductive till cut, but still is taxed at the same rate as property giving a commensurate revenue yearly. One of the principal aims of the Government should be to urge upon the various States the practical need of revising the method of taxation, taxing timber only when utilized. This will reduce the carrying charges so the standing timber will really be conserved and still the revenues would be the same to the States in the end.

The sawmills of the nation should be permitted to continue to pay a sufficient wage to their employees to enable them to maintain the present American high standard of living. The welfare of the American workingman employed in the lumber industry depends upon his being protected against the cheap labor of the Orient and the peon labor of Mexico. Taking the United States as a whole, there are about 850,000 men employed in the lumber industry, or 3,400,000 persons dependent thereon. These consume annually foodstuffs to the amount of about $490,000,000, or nearly the total value of the entire wheat crop of the United States, as estimated by the Department of Agriculture for 1908. With the exception of agriculture, the lumber industry employs more wage-earners than any other product in the country, and is much less protected.

Taking the Forest Service report of the output of lumber, lath, and shingles, as distinct from the other manufactures of wood, and which are not under discussion in this brief, and reducing lath and shingles to board measure, the value of the 1907 lumber output, on the basis of $15 per M feet f. o. b. mills, was $630,735,000. As compared with other commodities it is as follows:

	Value.
Lumber products, 1907	$630,735,000
Wheat, 1908	546,827,000
Cotton, 1907	640,311,538
Wool, 1907	129,410,942

Of these lumber is the least protected.

The fact that European countries are using less than 60 feet of lumber per capita while the United States is using about 500 feet per capita shows that the substitution of stone, brick, iron, steel,

Digitized by Google

cement, and other substitutes for lumber make themselves readily available.

There are 28,850 saw and shingle mills in the United States, according to the United States Census and Forest Service Bulletin "Forest Products, No. 2," issued November 18, 1908. These are as follows:

New York	2,185
Pennsylvania	2,131
North Carolina	1,668
Virginia	1,652
Kentucky	1,451
Arkansas	1,146
Tennessee	1,104
West Virginia	1,044
Washington	1,036
Indiana	999
Ohio	987
Maine	927
Missouri	916
Michigan	906
Alabama	892
Mississippi	823
Georgia	788
Wisconsin	778
Texas	678
Oregon	644
Vermont	612
New Hampshire	544
Louisiana	531
Massachusetts	518
Illinois	499
Minnesota	429
South Carolina	365
California	321
Florida	302
Idaho	247
Connecticut	236
Colorado	230
New Jersey	166
Montana	130
Oklahoma	129
Delaware	106
Iowa	100
Utah	80
Wyoming	73
South Dakota	64
New Mexico	52
Rhode Island	41
Arizona	12
All other States	6
Total	28,850

The foregoing proves that the lumber manufacturing industry is in so many hands that its control by a trust is impossible.

The production of these mills in 1907 amounted to 40,256,154,000 feet of lumber, 3,663,602,000 laths, and 11,824,475,000 shingles. At the present time this product bears 12 per cent duty, which is practically a revenue-producing duty and not a protective tariff, and hence should not be reduced.

The proper way to conserve the timber is to protect the lumber so that the entire contents of the tree can be utilized. The proper way to preserve the forests is to induce the private owners, state and government, to replant the area now useless except for the growing of timber. The removal of the duty will increase the waste and is

Digitized by Google

not a conservation measure. It would deprive this Government of a much-needed revenue and benefit no one.

Respectfully submitted.

J. B. White, Kansas City, Mo.; Edward Hines, Chicago, Ill.; J. A. Freeman, St. Louis, Mo.; H. H. Foster, Malvern, Ark.; D. E. Skinner, San Francisco, Cal., representing the following lumber associations: Southwestern Washington Lumber Manufacturers' Association, Montana Larch and Pine Manufacturers' Association, Western Pine Manufacturers' Association, Pacific Coast Lumber Manufacturers' Association, Georgia and Florida Sawmill Association, Northwestern Hemlock Manufacturers' Association, Northern Pine Manufacturers' Association, North Carolina Pine Association, Wisconsin Hardwood Lumbermen's Association, Southern Cypress Manufacturers' Association, Hardwood Manufacturers' Association of the United States, Yellow Pine Manufacturers' Association, and Oregon and Washington Lumber Manufacturers' Association, W. C. Nibley, La Grande, Oreg.; George M. Cornwall, Portland, Oreg.; Shingle Mills Bureau; Seattle Lumber Manufacturers' Exchange; Victor H. Beckman, Seattle, Wash.

BRIEF OF D. E. SKINNER, VICTOR H. BECKMAN, AND GEORGE M. CORNWALL, REPRESENTING THE PACIFIC COAST LUMBER, TIMBER, AND SHINGLE INTERESTS.

WASHINGTON, D. C.,
Wednesday, November 25, 1908.

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: At the hearing before the Ways and Means Committee on November 20 Messrs. Skinner, Nibley, McCormick, Lamb, and McMaster testified as to the position of the Pacific coast in regard to a revision of the tariff on lumber, lath, and shingles.

There are over 2,600 saw and shingle mills, 190,000 wage-earners, and over one-half million people directly dependent on the manufacture of lumber, and anything that may affect the prosperity of this large number must be carefully scrutinized.

These people ask Congress not to remove the existing duty on lumber, lath, and shingles, because such removal will seriously affect the prosperity of the Pacific coast.

The exhibits attached, together with the statements and testimony, are conclusive, and are submitted for your consideration and approval.

On the Pacific coast we have varied vital conditions to confront in considering the maintenance of the present duty on lumber.

First. Competition with British Columbia, which has an enormous and yet unknown supply of timber at not over 40 per cent of the cost of the raw material to us, and the price of our timber is set not only on the price asked by the individual holder of timber, but an equally and in some instances higher price asked by the Government from its reserves. (See Exhibit D.)

Second. The vast difference in the cost of taxes, interest, and fire protection in this country as against the lesser cost in British Colum-

Digitized by Google

bia of taxes, and the almost entire elimination of the risk in carrying the timber, as the cost is not paid until the timber is harvested there, and then only on the same amount as received by the timber holder. In other words, he does not pay the Canadian government royalty on any more in measurement that he receives.

Third. The timber there lies still adjacent to the rivers and salt water, and can naturally be logged much cheaper than ours, which has to be hauled to the water by rail in practically all locations. If a railroad has to be built there under dominion charter, a subsidy is allowed of $5,000 per mile, which either pays for the construction over favorable grounds or helps so much to decrease the cost as compared with ours.

Fourth. The exclusion of oriental labor from our shores and the increased cost of transportation to immigrants from Europe prevents this source of labor for our competition with their manufacture of lumber, and it is reasonably estimated that their cost is at least 30 per cent cheaper than ours, especially because of an unlimited supply of orientals.

It must be borne in mind, too, that a Japanese or Hindu has to perform practically the same amount of work per day in the saw and planing mills as the white man, as the machine sets the pace of his work and he must take care of its output. The rate by rail to our eastern markets, which consume 50 per cent of the production, is the same from British Columbia, but our Government has no control over the initial line.

Fifth. The cost of freight by foreign vessels from British Columbia is 33 per cent less to California, where we consume annually an average of 1,200,000,000 feet of lumber from Washington and Oregon.

The coastwise laws of the United States absolutely prevent our participation in the privilege of using foreign vessels. This would have an immediate and lasting effect on our water-borne coastwise trade, and looking, as we must, to the near future of the vast markets that will be opened up by the use of the Panama Canal, we will be handicapped by more than the present duty in all the East Coast States, where lumber can now be delivered via vessel to Boston for the New England trade, and New York for all the territory east of Buffalo and Pittsburg at a combined water-and-rail rate less than the all-rail rate across the continent to the latter points. We have no American tonnage now and no optimistic view that we will ever have any when they can not live in competition with the operating cost of foreign vessels.

Sixth. Grant that at some time in the "twilight zone" of the future the cost of the timber and manufacturing and water rates from which we are deprived by the government laws should ever be the same, why should the labor be paid to foreigners instead of the 190,000 men employed in lumbering on the Pacific coast, together with those dependent upon them, and the vast number of industries which they support?

Seventh. If the conditions created by the additional competition from Canada bring about a continuation for years of the present prices, as we have every reason to know they will, the Government can not relieve us of the enormous carrying charges, and it will practically mean "taxation without representation" and eventual confiscation. We must also look forward to the competition we will have

Digitized by Google

from the Yalu River territory, the Saghalen Island, and Mexico, which can to-day, because of empty foreign tonnage, be transported to our coast as ballast and manufactured with the oriental labor at a cost of 10 to 20 cents per man per day at port of shipment. When the canal is opened for this return traffic for empty tonnage it will prove a more serious menace than Canadian competition to-day. Why open these vast forests by too early a demand on them to a destruction of half their contents, when they can be kept as a perpetual storehouse for our supply when we need them?

AS IT AFFECTS THE PACIFIC COAST.

The output of the Pacific Coast States during the year 1907 was as follows:

State.	Number mills.	Lumber.	Lath.	Shingles.
		Feet.	*Pieces.*	*Pieces.*
Washington	1,309	3,777,606,000	430,791,000	6,886,542,000
Oregon	644	1,635,563,000	281,000,000	300,000,000
California	321	1,245,943,000	90,000,000	707,421,000
Idaho	247	513,788,000	65,000,000	----------
Montana	130	343,814,000	10,000,000	----------
Total	2,651	7,616,714,000	876,791,000	7,893,963,000

The estimated amount of stumpage in these States is 800,000,000,000 feet, which at the present rate of output would require ninety-three years to exhaust. In other words, owing to the rapid growth of timber on the Pacific coast, another crop of timber will be ready for harvest before the present crop is garnered. In fact, there are localities in the State of Washington where a second crop is now being cut, the first being harvested in 1853. It may also be stated that the standing timber has been greatly underestimated. It is safe to say that the standing timber on the Pacific coast is nearer 1,400,000,000,000 feet than 800,000,000,000 feet. This is borne out by statements of county assessors in the State of Washington, who, after a thorough cruise, raised the previous estimates in many instances 100 per cent after ten years of cutting. The Government here owns its greatest reserves, and all the streams are protected.

The total shipments by water from Washington and Oregon and British Columbia from 1894 to 1906, inclusive, were as follows:

Year.	Coastwise shipments.		Export shipments.	
	From Washington and Oregon.	From British Columbia.	From Washington and Oregon.	From British Columbia.
	Feet.	*Feet.*	*Feet.*	*Feet.*
1894	321,349,288	1,929,589	76,961,984	34,262,549
1895	409,977,544	13,602,811	131,055,817	40,745,270
1896	375,026,327	1,461,012	145,153,109	62,543,912
1897	374,096,853	----------	153,679,787	62,238,176
1898	379,176,352	----------	106,893,041	55,134,608
1899	442,548,096	----------	137,288,990	49,132,308
1900	462,678,297	----------	159,942,663	74,981,513
1901	475,913,308	170,260	198,401,355	67,486,090
1902	653,557,786	1,000,000	190,208,450	55,685,008
1903	620,645,160	----------	279,811,579	62,238,694
1904	628,186,982	----------	215,317,731	33,177,244
1905	776,063,074	----------	268,884,779	49,811,930
1906	1,153,691,705	797,868	333,878,634	79,176,862

Digitized by Google

Figures as to rail shipments are not obtainable as to Oregon, California, Idaho, and Montana, but following is a statement for a series of years as to shipments from the State of Washington by railroad:

Year.	Lumber.	Shingles.
	Feet.	*Pieces.*
1894	64,245,000	1,753,000,000
1895	104,205,000	2,033,600,000
1896	137,790,000	2,231,840,000
1897	124,110,000	2,956,320,000
1898	156,465,000	3,089,920,000
1899	225,525,000	3,719,360,000
1900	284,280,000	3,797,440,000
1901	364,530,000	4,485,600,000
1902	565,800,000	5,261,760,000
1903	640,515,000	5,722,240,000
1904	656,835,000	5,812,160,000
1905	1,095,570,000	5,997,760,000
1906	1,535,180,000	6,824,000,000

It may be stated that the reason the Pacific coast lumber men can compete with British Columbia manufacturers in export shipments is due to the fact that the bulk of the export requirements call for select lumber, which is equally as valuable on the other side of the line as in the United States. But it is the lower grades, such as are shipped into California and the eastern markets that the American mill men fear in the event of free lumber. Already British Columbia firms are casting about for entry to this California market. This will result in forcing the American mill man either to ship his product to the eastern market or further increase his export trade. In forcing his lumber to the East he first encounters a $15 railroad freight rate for $7 lumber, and, second, the influx of an immense amount of low-grade lumber from eastern British Columbia.

In the matter of shingles, this is a commodity made from refuse cedar lumber, dead timber, and of a class not fit for lumber or any other purpose. It is a coarse-grained material and could not be used in the manufacture of pencils, cigar-box material, or other specialties. The bulk of the standing cedar is hollow, with limbs reaching from the ground to the top of the tree. These limbs produce knots, which fall out when the material is kiln-dried, and hence the quantity of lumber obtained is very small. Many of the shingle mills are cutting up timber burned, decayed, or fallen down, and under no circumstances could forest preservation be carried out in this material. It does not even make good firewood. This industry to-day is compelled to close down five months in the year because of Chinese competition in British Columbia, and instead of a duty of 30 cents on shingles per thousand, it should be 60 cents. Of 434 shingle mills in the State of Washington only 2 employ oriental labor, and of the 14,000 men employed in manufacturing shingles, 13,959 are white men and American citizens. (See Exhibit E.)

In the matter of wages the withdrawal of the duty on lumber and shingles will seriously affect labor conditions on the Pacific coast, especially in western Washington and western Oregon. According to estimates prepared by Mr. Clark, United States immigration agent at Toronto, there are no less than 60,000 Chinese, Hindus, and Japanese in British Columbia, practically 25 per cent of the population. These are largely employed in the saw and shingle mills, in the fisheries, and on the railroads. Very few of the saw and shingle

Digitized by Google

mills in western British Columbia employ a full complement of white labor. This is graphically portrayed in the photographs. (See Exhibit A.) Here are scenes in mills located in the United States, where only American white labor is employed, whereas one hour's ride on the railroad will bring one into the mills where oriental labor predominates.

It is admitted that Japanese are employed to a limited extent in the State of Washington, but so limited that only two shingle mills of a total of 434 employ oriental labor, while in British Columbia it is a common occurrence where out of a crew of 50 less than 5 are white men. This is thoroughly covered by the affidavits in Exhibit A. (See Exhibit A.)

Mr. Bloedel (see Exhibit A) goes into the average wages paid in his plant, 20 miles from the British Columbia border. His wages are a trifle higher than the average. Following are average daily wages on Puget Sound, in the State of Washington, and in western British Columbia:

	Puget Sound.	British Columbia.
Circular sawyers	$4.77	$4.00
Edgermen	3.01	3.00
Setters	2.71	2.75
Circular filers	4.80	4.00
Planer foreman	3.68	3.75
Planer hands	2.28	2.00
Tallymen	2.66	2.25
Engineers	3.20	3.50
Firemen	2.40	2.00
Common labor (white)	1.97	1.85
Average	3.14	2.91

Oriental common labor in British Columbia, 80 cents to $1.50.

In a mill cutting 100,000 feet of lumber per day 25 men are skilled and 75 unskilled. On the basis of white labor the British Columbia lumber manufacturer still has the advantage in the cost of labor over his American competitor. In the case of oriental labor, which predominates in British Columbia saw and shingle mills, the advantage is pronounced. The wages of the 75 Orientals, at an average of $1.15 per day, would be $86.25, while the wages of 75 American unskilled laborers would be $169.75. It will be conceded, perhaps, that this item alone would enable the British Columbia lumber manufacturer to undersell his American competitor, provided the duty be removed.

The foregoing statement of wages for Puget Sound was compiled from reports received from over 100 sawmills. The British Columbia statement is from the Reliable Labor Agency, of Vancouver, British Columbia, and is included in Exhibit B. (See Exhibit B.) Covering the cost of labor in eastern British Columbia—a section covered in the testimony of Mr. Lynch—the affidavit of Mr. F. D. Becker, of Seattle, Wash., may throw some light. This is included in Exhibit C.

In relation to the labor and the wages paid in shingle mills in British Columbia, this item is covered in Exhibits A and B. In every department of a shingle mill, except the sawyer and engineer, Chinese are employed. In the State of Washington only two shingle mills employ Orientals.

Digitized by Google

In the matter of wages, the relative position of foreign and American vessels should not be overlooked. The wages of a British-manned vessel is $15 per month for sailors, and a Chinese-manned vessel $8 per month, while the wages received by American sailors are $40 per month. This would give the British Columbia lumber manufacturers a decided advantage in freight rates to California in the event of the removal of the duty on lumber. As California consumes annually over 1,200,000,000 feet of lumber from Washington and Oregon it can be seen how thorough the demoralization is threatened.

The estimated number of men employed in the lumber and shingle industry, number of mills, and annual pay roll on the Pacific coast is as follows:

State.	Number mills.	Men employed.	Annual wages.
Washington	1,309	110,000	$75,000,000
Oregon	644	34,251	23,975,000
California	321	28,610	20,027,000
Idaho	247	10,492	5,246,000
Montana	130	7,016	3,508,000
Total	2,651	190,369	127,756,000

On the basis of four persons to the family, no less than 761,476 persons on the Pacific coast are directly dependent on the lumber industry. At a cost of $12 per month for subsistence, these 761,476 persons contribute to the farmers and others annually the sum of $109,652,764 for foodstuffs. The farmer who will be benefited in his lifetime to any extent whatever by free lumber should study the situation with reference to the purchasing power of labor in the event lumber is placed on the free list.

Not only will the lumber industry suffer, but the railroads will lose the haul from the Pacific coast. The railroads carry annually 160,000 carloads of lumber and its products from Washington, Oregon, California, Idaho, and Montana. This means the employment of an army of men.

In fact, so vital is the lumber industry to the Pacific coast that all interests must suffer. Mr. George M. Allen, commissioner of statistics of the State of Washington, gives the valuation of the products of that State for 1906 as follows:

	Value.
Lumber	$65,000,000
Shingles	17,000,000
Grains	33,087,000
Fisheries	7,069,000
Coal	5,490,000
Coke	600,000
Total	128,246,000

It will be noted that of the total the lumber and shingle industry contributed $82,000,000. If this industry is crippled the entire State will suffer.

In the removal of the duty on lumber the laboring man and the farmer will be the principal sufferers. The pay roll will go to British Columbia, and the Canadian farmer will supply the foodstuffs. The only way the American lumber manufacturer could compete would be

Digitized by Google

by the withdrawal of the exclusion act or the removal of the duty on foodstuffs.

A word about the efficiency of oriental labor. It will be noted in Exhibit A that the Hindus are large men—in fact, trained soldiers and British subjects. Physically the Japanese and Chinese are not in the same class, but nevertheless have equal endurance. It does not require two Japanese for one white man, as has been stated. As a matter of fact, all labor in the sawmill is back of different machines, and speed is required to take the lumber from the machines. Any practical lumberman knows that it would be impossible for two men back of a machine to carry out the work. Taking it mill by mill, the British Columbia mills employ the same number of men as the American mills of given capacity. In shingle mills in British Columbia the Chinese shingle mill crews are employed by piecework.

It is interesting in this connection to note the following statement of the arrivals of Orientals at the Canadian ports of Victoria and Vancouver, British Columbia, during the ten months ending October 31, 1907, by W. L. MacKenzie, commissioner, to the governor-general in council, and on file at the interior department at Ottawa:

	Number.
Japanese	8,125
Chinese	1,266
Hindus	2,047
Total	11,438

In this connection Commissioner MacKenzie says:

Assuming, however, that 7,500 was the total Japanese population at the beginning of the year, it is not a matter of surprise that with the arrival at their shores of 8,125 Japanese in the ten months following the people of British Columbia, and more especially the residents of Vancouver, should have experienced some concern, and that as vessel after vessel landed an increasing number, until in fewer months than it had taken years to bring the Japanese population of British Columbia to what it was, this total was exceeded by new arrivals, that consternation should have been felt in many quarters. If anything more were needed to occasion unrest, it was to be found in the simultaneous arrival from the Orient of Hindus by the hundreds and Chinese in larger numbers than those of immediately preceding years. It was an alarm at numbers, and the cry of a white Canada was raised.

The Canadian government does not place a head tax on Japanese, and the Hindus are British subjects.

Attention is again called to Exhibit A and the affidavits attached, showing the extent of oriental labor employed in the mills of British Columbia. In comparison, it may be stated that of the 190,000 men employed in the lumber industry of the Pacific coast States less than 2,000 are other than white labor, and that the wages paid exceed those of other occupations.

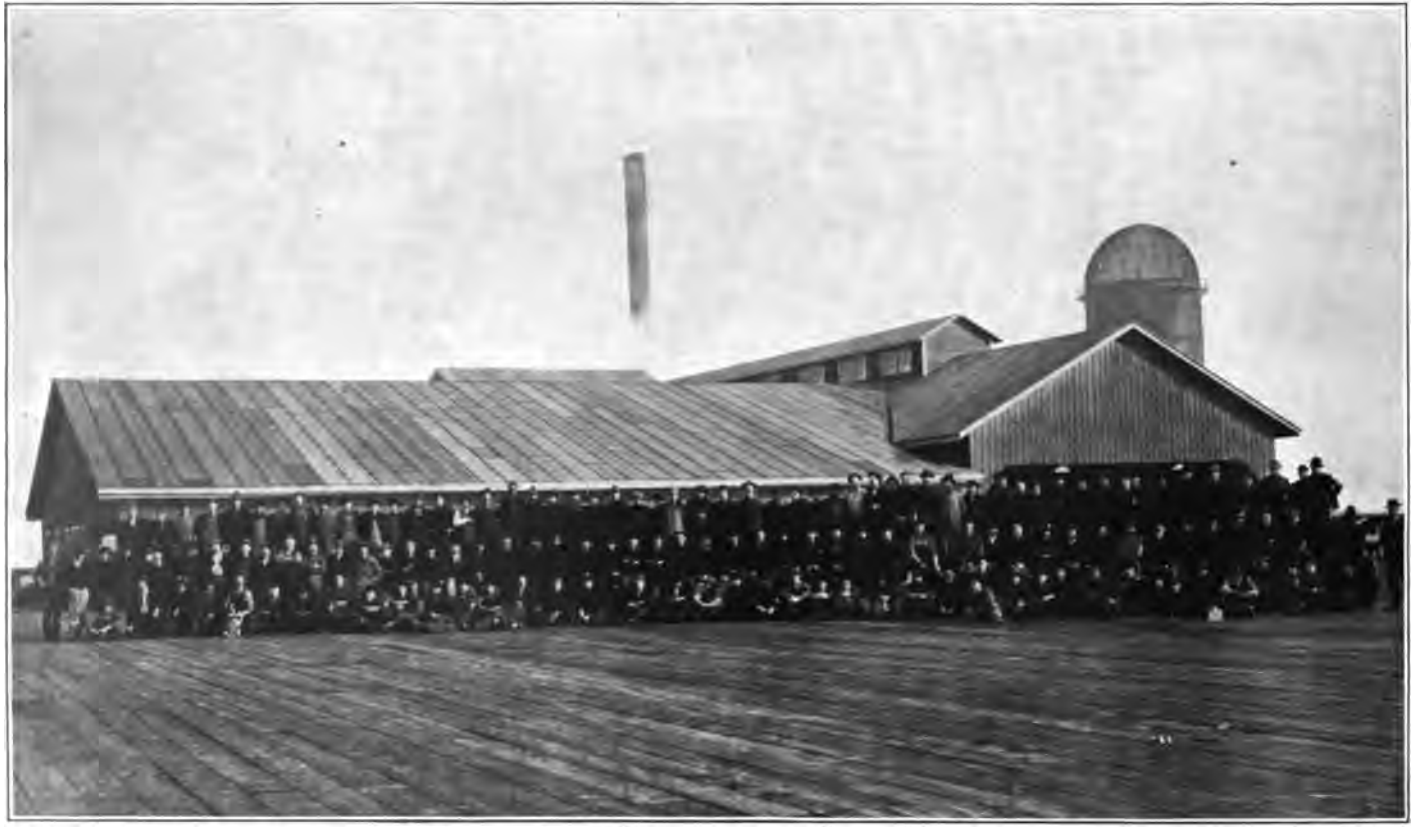
EXHIBIT A.

Photographs and statements of J. Wayland Clark, F. L. Housley, and J. H. Bloedel, with reference to the duty on lumber and shingles and the effect its removal would have on the lumber industry.

STATE OF WASHINGTON, *County of Whatcom, ss:*

I, J. Wayland Clark, a resident of the city of Bellingham, State of Washington, being first duly sworn, do depose that during twenty

Digitized by Google



LARSON LUMBER COMPANY, BELLINGHAM, WASH. ALL WHITE MEN.

Wages, $2 to $4 per day. Expert wages, $5 to $10 per day.

Digitized by Google

FRASER RIVER MILLS, NEW WESTMINSTER, BRITISH COLUMBIA.

A group of Hindoos after being paid off at the rate of 80 cents to $1.25 per day.

Digitized by Google

PUGET SOUND MILLS AND TIMBER COMPANY, BELLINGHAM, WASH. ALL WHITE MEN.

Wages, $2 to $4 per day. Expert wages, $5 to $10 per day.

Digitized by Google

FRASER RIVER MILLS, NEW WESTMINSTER, BRITISH COLUMBIA. A GROUP OF HINDOOS AT PAY WINDOW.

Wages, 80 cents to $1.25 per day.

Digitized by Google

E. K. WOOD LUMBER COMPANY, BELLINGHAM, WASH. ALL WHITE MEN.

Wages, $2 to $4 per day. Expert wages, $5 to $10 per day.

Digitized by Google

AN INCOMING GROUP OF JAPANESE GOING TO WORK IN SAWMILL AT $1.25 PER DAY.

Digitized by Google

LARSON LUMBER COMPANY, BELLINGHAM, WASH.

White labor in the yard receives from $2 to $2.25 per day.

Digitized by Google

FRASER RIVER MILLS, NEW WESTMINSTER, BRITISH COLUMBIA.

Hindoo labor in the yard receives from 80 cents to $1.25 per day.

Digitized by Google

SILVER BEACH SHINGLE COMPANY, BELLINGHAM, WASH. A SMALL SHINGLE MILL. ALL WHITE MEN.

Wages, $2.50 to $4 per day. Expert wages, $4 to $7 per day.

Digitized by Google

HINDOOS AT WORK IN YARD, RECEIVING 80 CENTS TO $1.25 PER DAY IN BRITISH COLUMBIA.

(In the State of Washington for similar labor wages of $2 to $2.25 per day are paid.)

Digitized by Google

HINDOOS AT WORK IN YARD, RECEIVING 80 CENTS TO $1.25 PER DAY IN BRITISH COLUMBIA.

(In the State of Washington for similar service wages of $2 to $2.25 per day are paid.)

Digitized by Google

HINDOOS AT WORK IN YARD, RECEIVING 80 CENTS TO $1.25 PER DAY IN BRITISH COLUMBIA.

(In the State of Washington for similar service wages of $2 to $2.25 per day are paid.)

Digitized by Google

HINDOOS AT WORK IN YARD, RECEIVING 80 CENTS TO $1.25 PER DAY IN BRITISH COLUMBIA.

(In the State of Washington for similar labor wages from $2 to $2.25 per day are paid.)

Digitized by Google

HINDOOS AT WORK IN YARD, RECEIVING 80 CENTS TO $1.25 PER DAY IN BRITISH COLUMBIA.

(In the State of Washington for similar labor wages of $2 to $2.25 per day are paid.)

Digitized by Google

THIS LABOR RECEIVES ABOUT $1.25 PER DAY IN BRITISH COLUMBIA.

(In the State of Washington similar labor receives about $3 per day.)

Digitized by Google

THIS LABOR RECEIVES ABOUT $1.25 PER DAY IN BRITISH COLUMBIA.

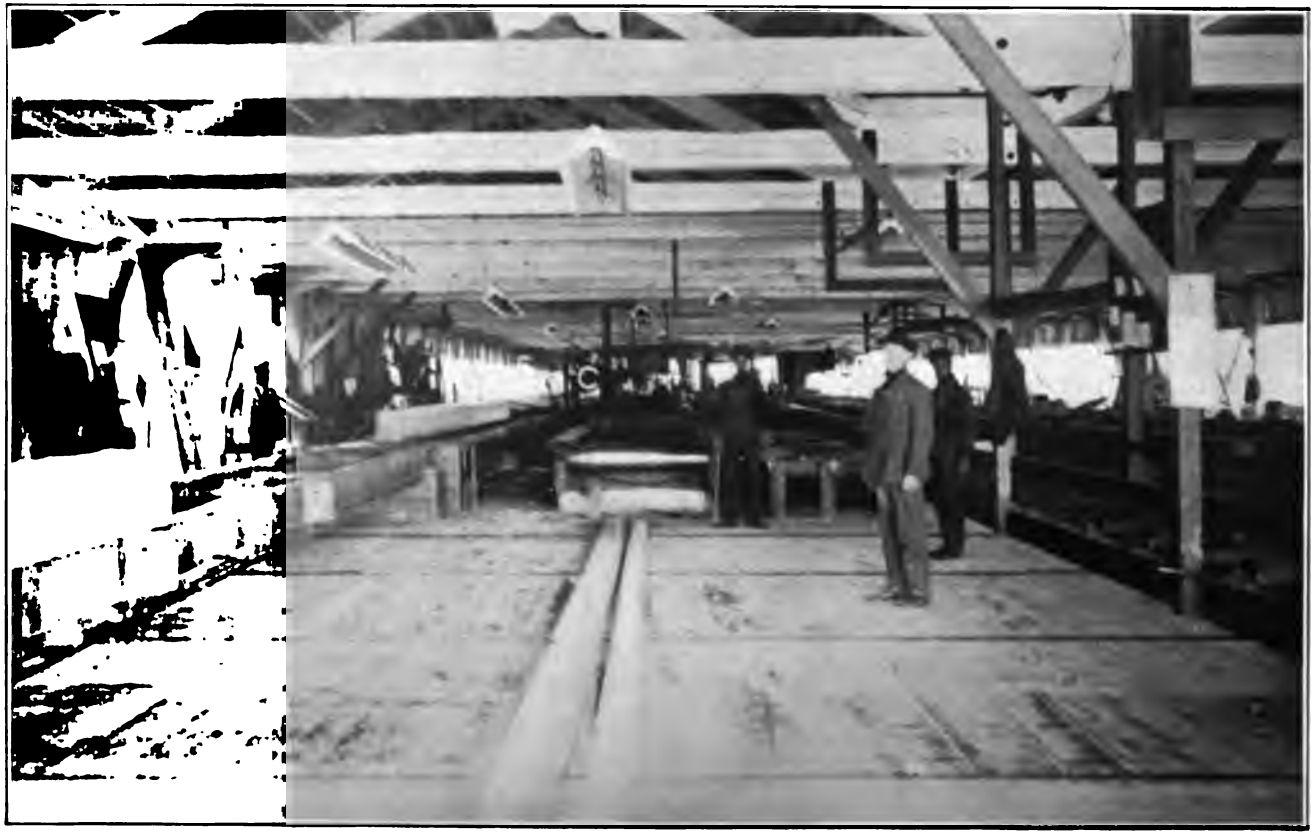
(In the State of Washington similar labor receives about $3 per day.)

Digitized by Google

THIS LABOR RECEIVES ABOUT $1.25 PER DAY IN BRITISH COLUMBIA.

(In the State of Washington similar labor receives about $3 per day.)

Digitized by Google



THIS LABOR RECEIVES ABOUT $1.25 PER DAY IN BRITISH COLUMBIA.

(In the State of Washington similar labor receives about $3 per day.)

Digitized by Google

THIS LABOR RECEIVES ABOUT $1.25 PER DAY IN BRITISH COLUMBIA.

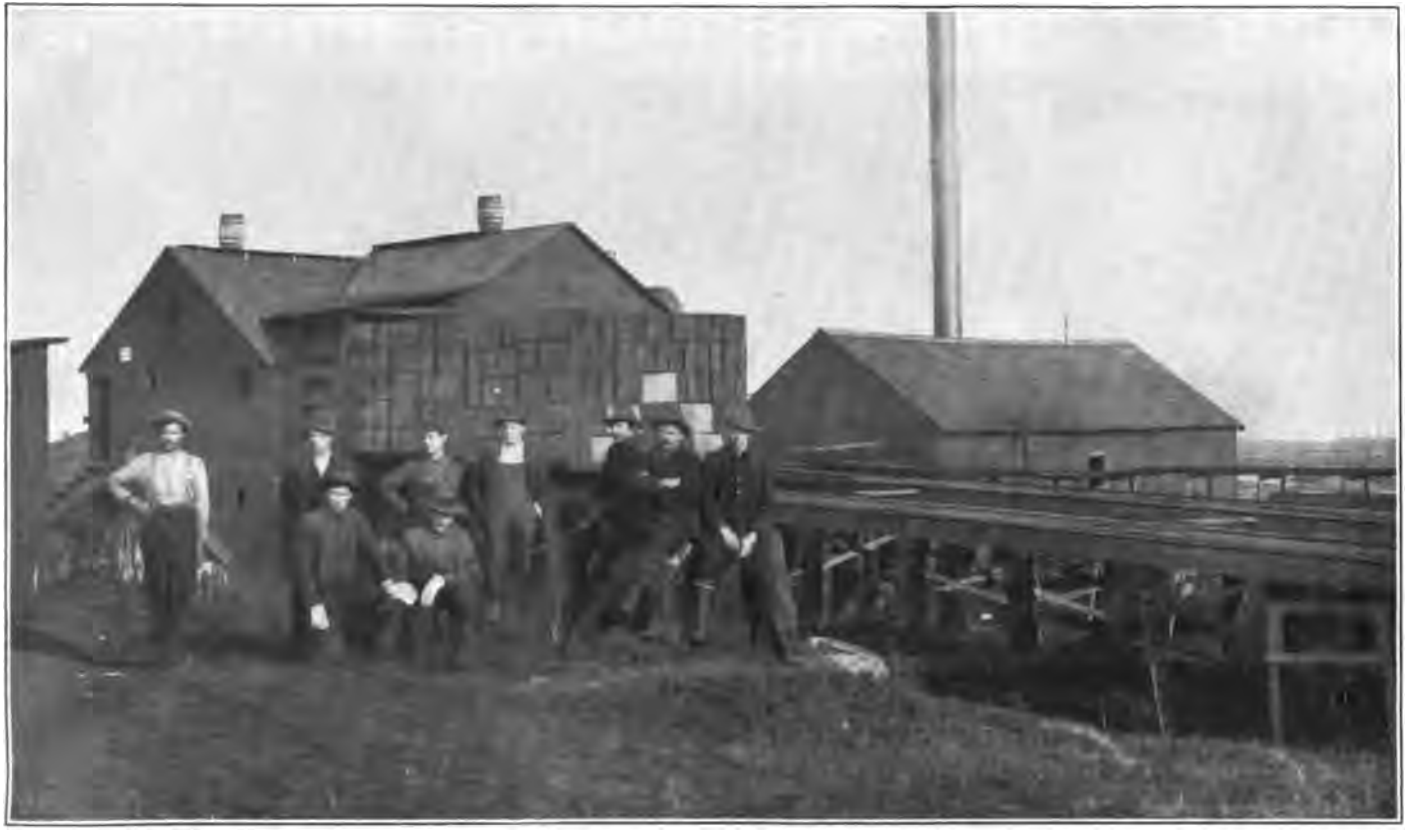
(In the State of Washington similar labor receives about $3 per day.)

Digitized by Google

THIS LABOR RECEIVES ABOUT $1.25 PER DAY IN BRITISH COLUMBIA.

(In the State of Washington similar labor receives about $3 per day.)

Digitized by Google



HASTINGS SHINGLE MANUFACTURING COMPANY, BELLINGHAM, WASH. A SMALL SHINGLE MILL. ALL WHITE MEN.

Wages, $2.50 to $4 per day. Expert wages, $4 to $7 per day.

Digitized by Google

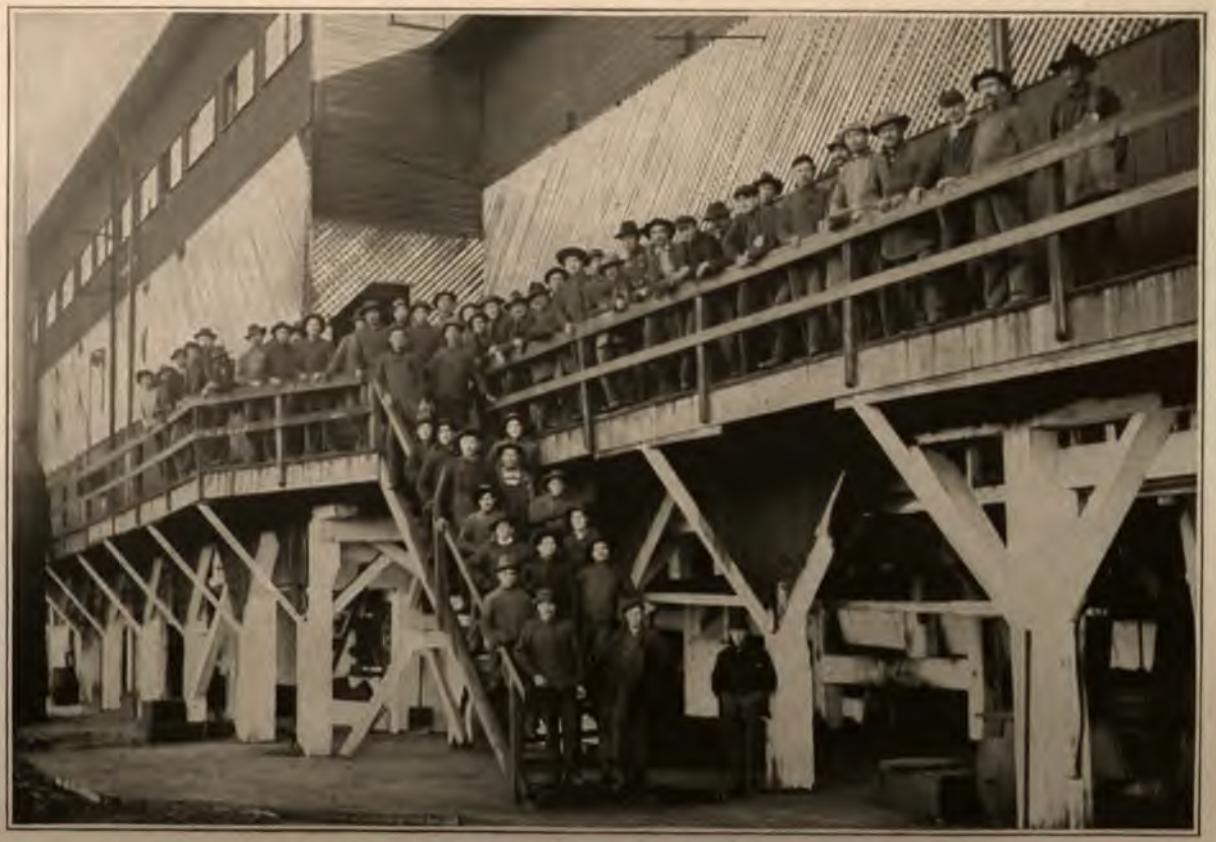
A GROUP OF HINDOOS IN THEIR HOUR OF LEISURE IN BRITISH COLUMBIA.

Wages, 80 cents to $1.25 per day.

Digitized by Google

PART OF FRASER RIVER LUMBER COMPANY PLANT AND CREW, SHOWING HINDOO LABOR, NEW WESTMINSTER, BRITISH COLUMBIA.

Digitized by Google



TYPICAL AMERICAN SAWMILL SCENE AT GRAYS HARBOR COMMERCIAL COMPANY, COSMOPOLIS, WASH.

Digitized by Google

SHINGLE MILL CREW. DAY LUMBER COMPANY, BIG LAKE, WASH.

Digitized by Google

Digitized by Google

years' residence in the State of Washington I have become familiar with sawmilling operations; further, that for many years I have practiced the art of photography; that I went to British Columbia in the early part of November, A. D. 1908, to make a series of photographs designed to be used in connection with a large number of photographs already secured, all to be converted into lantern slides for the purpose of an illustrated public lecture; that I carefully investigated a large number of mills in British Columbia, and that the accompanying photographs are a true and faithful representation of conditions as they existed at that time; further, that the wages noted under the different photographs are those stated by employers to be the prevailing wages in both the State of Washington and British Columbia.

[SEAL.] (Signed) J. WAYLAND CLARK.

Subscribed and sworn to before me this 13th day of November, A. D. 1908.

HARRY D. SIMS,
Notary Public in and for the State of Washington, residing at Bellingham.

STATE OF WASHINGTON, *County of Whatcom, ss:*

I, Frank L. Housley, a resident of the city of Bellingham, State of Washington, being first duly sworn, do depose and say as follows: That I am a lumberman of about twenty years' experience, that I have been engaged in logging enterprises in the State of Washington, also in estimating timber and kindred lumbering enterprises during this period, and am familiar with the operations of mills and camps in the State of Washington, Oregon, and British Columbia.

Further, that on the 10th day of November, 1908, I went to British Columbia from Bellingham, Wash., for the purpose of investigating the labor conditions in the milling districts of New Westminster and Vancouver, British Columbia. I visited in the city of New Westminster, British Columbia, 4 sawmills and 3 shingle mills which are a representative type of the mills in that city. I visited in the city of Vancouver 3 sawmills and 5 shingle mills which are representative of all the mills in the latter city. I find that there is a great preponderance of oriental labor over white labor, the result of my investigation being as follows:

Royal City Mills, New Westminster, British Columbia.—Capacity, from 80,000 to 100,000 feet of lumber per day of ten hours. This mill has probably 200 men in its employ. I actually counted 54 men in the mill yard, of whom 5 were white men, 9 were Japanese, 5 were Hindoos, and 35 were Chinese. The wages paid at this mill for the oriental labor is from $1.20 to $1.50 per day for Japanese, 80 cents to $1 per day for Hindoos, and 80 cents to $1.10 per day for Chinese.

Small & Bucklin Sawmill, New Westminster, British Columbia.—Capacity, 70,000 feet per day of ten hours; number of men employed, from 125 to 130, of whom 10 were white and 115 were Japanese and Hindoos. The wages paid for Hindoos are from 80 cents to $1.25 per day; Chinese labor gets from 80 cents to $1 per day; and Japanese labor gets as high as $2.50 per day. I actually counted 28 men

Digitized by Google

on the floor of the mill, of whom 5 were whites, 18 Japanese, and 5 Chinese. On the outside of the mill taking the lumber away were 10 Japanese, 1 white man, and 3 Hindoos.

Brunett Sawmills, New Westminster, British Columbia.—Capacity, 100,000 to 125,000 feet of lumber per day of ten hours. This company employs about 200 men about the premises, of whom about one-fourth are white and the balance are Japanese and Chinese. No Hindoos are employed here. I actually counted on the floor of this mill 28 men, of whom 21 were Japanese and 7 whites. In the yard I counted 23 men, of whom 21 were Japanese and 2 were white. The wages of the Japanese are from $1.25 to $1.50 per day and the Chinese from 80 cents to $1.10 per day.

Fraser River Mills, New Westminster, British Columbia.—Capacity, about 300,000 feet per day of ten hours. This company has about 375 employees, but I was unable to make an accurate count. The foreman, however, told me that there were 20 foreigners to 1 white man employed in the plant. At this rate there would be, approximately, 20 whites and 355 Hindoos, Japanese, and Chinese. By referring to pictures Nos. 3 and 5 the reader will note the number of Hindoos at the pay window. I actually counted at work on the floor of this mill 36 men, of whom 4 were whites, 24 were Hindoos, and 8 were Japanese. The wages paid at this mill are from 80 cents to $1 per day for Hindoos and from $1.25 to $1.50 per day for Japanese, and for Chinese, from 80 cents to $1.10 per day.

I also visited the following straight shingle mills at New Westminster, British Columbia. These mills manufacture cedar shingles only, as a rule, and are small, employing from 10 to 40 men each:

Royal City Shingle and Saw Mill, New Westminster, British Columbia.—This mill was not operating its shingle machines, of which there were seven in number, but were sawing up cedar logs. I counted 12 men in their employ, of whom 3 were whites, comprising the sawyer, engineer, and filer, these 3 being expert laborers; 5 were Chinese and 4 Japanese. When this mill is running full force they will employ a total of 28 men, and their force will consist of 3 whites, 21 Chinamen, and 4 Japanese. This was told me by the sawyer of the mill.

Turner Mill Company, New Westminster, British Columbia.—Mr. A. S. Hooker informed me that he was formerly a resident of Bellingham, Wash.; that he had formerly been in the shingle manufacturing business in and about Bellingham; that labor conditions in British Columbia were very much cheaper than on the American side, some 40 miles south; that he had contracted the cut of shingles in the Turner mill to a boss Chinaman at 19 cents per 1,000 shingles manufactured complete and delivered in the kilns on trucks; that for similar work on the American side from 40 to 45 cents per 1,000 shingles is paid; that his total cost of manufacturing shingles, including all expenses, was not to exceed 45 cents, whereas on the American side, on account of the higher priced labor, it was from 80 to 85 cents per 1,000 shingles. Mr. Hooker told me that with the cheap oriental labor in the shingle mills in British Columbia, as against the high-priced white labor as employed in Bellingham, caused him to abandon the shingle mills in Bellingham and go to British Columbia, as he could better afford to pay the duty of 30

Digitized by Google

cents per 1,000 shingles and manufacture in British Columbia with the cheaper labor.

I next visited the mills in and about Vancouver, British Columbia. Among the sawmills the most prominent are the following:

Royal City Mills, False Creek.—The capacity of this mill is about 125,000 feet per day of ten hours. They employ between 225 and 300 men, approximately seven-eighths of whom are orientals and one-eighth whites. I was able to count the entire number of employees by actual count of the men on the sawmill floor, of whom there were 28. Of these, 3 were white men, 1 Chinaman, 1 Hindoo, and 23 Japanese. I also counted 34 men in the mill yard, of whom 2 were white, 12 Hindoos, and 20 Japanese. The wages were the same as wages for similar work paid orientals in other mills of the same company in New Westminster and Vancouver.

Terminal Mill and Lumber Company, Vancouver, British Columbia, is a mill of from 50,000 to 75,000 feet capacity in ten hours, showing a total of 27 men on the mill floor. I counted 3 Hindoos, 5 Chinamen, 17 Japanese, and 2 white men. The wages paid at this plant were approximately the same as paid at other plants in Vancouver.

E. H. Heaps & Co. Sawmills, Vancouver, British Columbia, has a capacity of about 60,000 feet per day of ten hours. About 100 men employed, of whom 12 are whites and the balance orientals. I personally counted 33 men in the mill, of whom only 4 were white and the balance Japanese and Hindoos. The wages paid at this plant were approximately the same as in other plants in Vancouver.

Hastings Mill No. 1, being one of a number of mills owned by the British Columbia Mills, Timber and Trading Company, is a mill of about 250,000 feet capacity in ten hours. The total number of men approximate 300, of whom probably less than 50 are whites and 250 orientals, mostly Japanese and Chinese. I actually counted 62 men on the mill floor, 12 of which were white men and 50 Chinese. I also counted 40 men in the mill yard, of whom 5 were white men and 35 Japanese. The wages paid for Chinese are from 80 cents to $1.10 a day, for Japanese from $1 to $1.50 per day, and for Hindoos from 80 cents to $1 per day.

I visited four straight shingle mills in Vancouver which employ from 12 to 40 men each and manufacture cedar shingles only.

The Pacific Coast Shingle Mills have a capacity of about 240,000 shingles per day of ten hours, when running to full capacity. They were running all of their machines and employing approximately 40 men. Of these 13 were whites and 27 orientals. They were employing Chinese shingle packers whom they paid 6½ cents per thousand and Chinese sawyers whom they paid 12 cents per thousand. This is called piecework. On the American side they pay 9 cents per thousand for packing and 18 and 19 cents per thousand for sawing them.

The McNair Shingle Mill operates three uprights of a capacity of 60,000 shingles per day and employs 12 men. This is one of the small mills of which there are some 300 of a similar type in the State of Washington. They employ, all told, 12 men in the mill, of whom 8 are Chinamen, 2 Japanese, and 2 white men. The only reason they employ the white men is on account of the necessity for expert labor such as saw filing and engineer. The wages of Chinese sawyers were 11 cents per thousand and Chinese packers 6 cents per thousand. Japanese day labor got from $1.25 to $2 per day.

Digitized by Google

Hastings Mill No. 2.—This is a large shingle mill, operating when running to full capacity 27 shingle machines, with a total shingle capacity of 550,000 shingles in ten hours, of which 17 machines only were running at this time. This mill employs proportionately more white labor than any of the other shingle mills in British Columbia. I counted on the mill floor 15 white men and in the packing room 2 white men. I counted 5 Chinamen on the mill floor and 17 Chinese packers in the packing room. There were also some Hindoos and Japanese. The wages paid the sawyers are 13 cents per thousand shingles and 6 cents for packing.

The Wood & Spicer Shingle Mill, Vancouver, has a capacity of about 300,000 shingles in ten hours and operates 11 shingle machines. There is a total of 38 men employed. Twenty-four are Chinese, 2 white men, and the balance are Japanese and Hindoos. The 2 white men are the filer and the engineer, being expert labor. The wages paid at this mill are 14 cents for sawing and 6½ to 7 cents for packing.

I further depose and state that I am familiar with manufacturing conditions on the American side in the State of Washington, and especially in the vicinity of Bellingham; that I have carefully examined the photographs hereto attached and made a part of this statement, and that they are a true and faithful representation of the mills and employees employed therein; that, to my knowledge and belief, there are no Hindoos or Chinese employed in and about the vicinity mentioned, and few, if any, Japanese. Out of the 5 large sawmills in the city of Bellingham there are employed approximately 1,200 men, of whom all are white men; that the wages paid in the mills in the State of Washington vary from $2 for common labor to $4 for skilled labor and from $4 to $10 per day for expert labor, such as saw filing.

F. L. HOUSLEY.

Subscribed and sworn to before me this 13th day of November, 1908.

[SEAL.] HARRY D. SIMS,
Notary Public in and for the State of Washington, residing at Bellingham.

STATE OF WASHINGTON, *County of Whatcom, ss:*

I, J. H. Bloedel, a resident of the city of Bellingham and State of Washington, being first duly sworn, do depose and say as follows: That I am a lumberman of about fifteen years' experience in and about the timbers of Puget Sound and British Columbia; that I am familiar with the situation in the State of Washington as regards the manufacture of lumber and shingles and also with the general timber and lumber manufacturing situation in the Province of British Columbia, which is situated about 20 miles north of the city of Bellingham, State of Washington; that timber lands in the State of Washington are held by title in fee simple, and that the values of stumpage are from $1.50 to $3 per 1,000 feet, according to location; that for similar conditions in British Columbia, where titles are held by the government and timber areas leased to leaseholders, values are 50 cents per 1,000 feet stumpage. The stumpage paid by lessees of timber limits in British Columbia is based on the scale of a so-called "government scaler" and is payable when the

Digitized by Google

timber is cut, the government thereby assuming all hazards of the destruction of the timber by fire or other natural causes. In the State of Washington the owner of the timber land has to assume and carry this risk.

The wages paid in the mills in the State of Washington approximate $2 per day for common labor and from that to $4 per day for skilled labor; the wages paid the Orientals employed in the mills of British Columbia are, approximately, one-half this rate. I have a record of the average wages per day paid some 400 employees of the Larson Lumber Company, of which I am the manager and one of the owners, which is as follows for the respective years mentioned:

Average rate per day per man.

1902	$2.45
1903	2.70
1904	2.33
1905	2.71
1906	2.69
1907	2.99

and that the disparity in wages between the State of Washington and British Columbia is protected and accomplished by the duty on lumber and shingles, and can only be maintained by the retention of said duty; that the moment this protective duty is either reduced or entirely removed the condition of the laboring men in the American mills must become that of the foreign laborers in British Columbia or the cessation of the lumbering enterprises in the State of Washington and the removal of the plants to British Columbia, where the cheaper labor can be employed and the cheaper stumpage secured.

That I am familiar in a general way with what is called the mountain districts of British Columbia, lying between Revelstoke, British Columbia, and the Crows Nest Pass; that there is a large lumber-producing district which lies some 500 miles nearer the prairie States than the coast, with a consequently lower freight rate. The removal of the tariff on lumber is likely to flood the prairie States with the lumber from this section, produced by cheaper oriental labor, to the detriment of the American manufacturer, located in the States of Idaho and eastern Montana and the Pacific coast of the State of Washington.

That there is a coast line bordering on salt water of many thousands of miles, all of which is safe inland waters for the handling and towing of logs, and all of which is a timber-producing section as yet entirely virgin and undisturbed; that the only protection afforded the manufacturer in the States of Washington, Oregon, California, Idaho, and Montana, as against this vast quantity of cheap timber, is the duty of $2 per 1,000 feet on lumber and 30 cents per 1,000 on shingles.

J. H. BLOEDEL.

Subscribed and sworn to before me this 13th day of November, 1908.

[SEAL.] HARRY D. SIMS,
A Notary Public in and for the State of Washington,
Residing in the City of Bellingham.

Digitized by Google

EXHIBIT B.

VANCOUVER, B. C., *November 14, 1908.*

Mr. M. T. CLARK,
Hotel Vancouver, City.

DEAR SIR: As per your request, I am sending you a scale of wages as paid in the logging camps, also wages paid in the shingle mills, and also that of the sawmills in this vicinity.

You will have noticed that I have made no mention of oriental labor, but should you wish to employ Orientals, I can supply them for you on a much lower wage scale—that is, common laborers—and they are used in the mills here in considerable numbers, as you might have noticed.

Hindus can be had for $1 per day, board themselves.

Japanese can be obtained, and seems to be the Oriental that seems to give the best satisfaction in the mills, as they are more intelligent and can be used in places where some skill is required, at wages $1.25 per day, board themselves. Chinese are good shingle packers, and seem to have a standard wage at packing—7 cents per thousand—and I do not think that they could be obtained at a less figure for that class of work. Common laborers command the same wages as the Japanese, in some cases a shade higher. Hoping that you will favor our firm with your patronage and hoping to hear from you again in the near future, believe me to remain,

Yours, faithfully,

THE RELIABLE LABOR AGENCY,
Per C. W. KNIGHT, *Manager.*

Scale of wages paid in shingle mills:

Foreman filer		$4.00
Shingle sawyers	per M	$0.13 to .16
Shingle bolters	per day	2.25
Shingle packers	per M	$0.07 to .09

Scale of wages in sawmills:

Head sawyer	per day	4.00
Filer	do	4.00
Gang sawyer	do	3.00
Resawyer	do	2.75
Setter	do	2.75
Edger man	do	3.00
Dogger man	do	2.25
Cut-off man	do	2.00
Trimmer	do	2.25
Millwrights	do	3.50
Blacksmith	do	3.00
Machinist	do	3.00
Engineer (first)	do	3.50
Engineer (second)	do	2.50
Firemen	do	2.00
Lumber grader	do	2.25
Tally man	do	2.25
Planer man (foreman)	do	3.75
Sticker man	do	3.00
Timber planer man	do	2.75
Planer feeders	do	2.00

Common mill laborers and truckers (white) from $1.75 to $2 per day.

Digitized by Google

EXHIBIT C.

AFFIDAVITS.

STATE OF WASHINGTON, *County of King*, *ss:*

F. D. Becker, being by me first duly sworn, upon his oath deposes and says that he is a resident of the city of Seattle, King County, Wash., and that he is over the age of 21 years; that he is the acting secretary of the Pacific Coast Shippers' Association, of Seattle, Wash.; and that he is familiar with the manufacturing and sale of lumber and forest products of every description.

This affiant deposes and says that during the years 1905, 1906, and 1907 he was engaged in the lumber business in British Columbia and Alberta; that during the year 1905 he was manager of the Otis-Staples Lumber Company, at Wycliffe, near Nelson, British Columbia; that he had charge of the plant of said lumber company and was familiar with the character and nationality of the men employed under him in the management of said lumber company; that there were regularly employed by said lumber company in and about its plant at Wycliffe during the year 1905 about 80 men, and of this number about 50 were Chinamen; that the average wages paid the Chinese employed at said plant was the sum of about $1.60 per day per man, and that the average price paid to the white labor at said lumber company's plant was about $2.50 per day per man. This affiant was instructed to employ Chinamen in all positions where it was found possible they could be advantageously employed, and the positions that Chinamen occupied were such as piling lumber, working in the mill, cooks, helpers, and about 90 per cent of the men in the planing mill were Chinamen.

That during the year 1906 this affiant was secretary, treasurer, and managing director of Staples & Co. (Limited), wholesale and retail lumber dealers at Wycliffe, British Columbia, and affiant knows of his own knowledge that all of the lumber, sawmill, and planing mill plants in British Columbia employed a large portion of Chinese and Japanese help, and that in every instance the Chinese help was paid from 50 to 75 cents less per day than was paid for white help in similar positions.

That during the year 1907 this affiant was secretary, treasurer, and manager of the Monarch Lumber Company, at Savonas, near Kamloops, British Columbia; that at the plant of the Monarch Lumber Company there were employed about 60 men, and of this number about 40 were Chinamen and Japanese; that the Chinamen were placed in all positions where it was possible to employ them, and they took the places of white help in such positions as lumber graders and trimmers in the mill, considered very important positions, and this affiant discovered that the Chinamen could be educated to a proficiency practically equal to white help in almost all ordinary positions in the mill plant; that about 90 per cent of the men employed in the planing mill of the Monarch Lumber Company were Chinese and Japanese, and they invariably received from 50 to 75 cents less per day than the white help occupying similar positions.

This affiant is familiar with the lumber manufacturing business in the States of Washington, Oregon, and Idaho, and this affiant knows of his own knowledge that the various lumber manufacturing plants

Digitized by Google

in said States almost exclusively employ white labor, and that the wages paid for labor in the mills of the States of Washington, Oregon, and Idaho are on an average of 30 per cent higher than the wages paid in the lumber mills in British Columbia; that by reason of employment of Chinese and Japanese labor in the mills of British Columbia the cost of the manufacture of finished lumber is fully 30 per cent, or from $1 to $2 per thousand, less than the cost for the production of the same kind and grade of lumber in the States of Washington, Oregon, and Idaho.

That this affiant believes and alleges that if the tariff levied by the United States is removed or materially reduced on imports of lumber and forest products that it will result in the introduction of cheap Asiatic labor into all the mills and plants engaged in the manufacturing of lumber and allied products in the north Pacific coast States of the United States, or the result of such lowering or abolishing of the present tariff rates will result in the practical destruction of the lumber industry in said above-mentioned three States, which lumber industry in said States now represents 60 per cent or more of the capital engaged in and business done in said States, and further affiant saith not.

F. D. BECKER.

Subscribed and sworn to by me this 12th day of November, A. D. 1908.

[SEAL.] E. J. BRANDT,
Notary Public in and for the State of Washington, residing at Seattle.

EXHIBIT D.

TUOLUMNE, CAL., *November 13, 1908.*

Mr. D. E. SKINNER,
New Willard Hotel, Washington, D. C.

DEAR SIR: In response to a request from Mr. G. X. Wendling, under date of November 10, we are submitting herewith a copy of a letter from the acting forest supervisor of the Stanislaus National Forest to us, concerning an application made by us for the purchase of timber.

We also inclose our affidavit as to the price asked for this timber.

Their proposition was dated July 17, 1908, and was rejected by us.

Trusting that the information will be of value to you, we are,

Yours, truly,

WEST SIDE LUMBER COMPANY,
By J. R. PRINCE, *Secretary.*

UNITED STATES DEPARTMENT OF AGRICULTURE,
FOREST SERVICE,
STANISLAUS NATIONAL FOREST,
Sonora, Cal., July 30, 1908.

The WEST SIDE LUMBER COMPANY,
Tuolumne, Cal.

DEAR SIRS: I am inclosing original and duplicate of timber-sale application, which covers the timber you applied to purchase from the

Digitized by Google

Forest Service in the spring of this year. In case you wish to apply for this timber, you will please sign the original and duplicate of this application and return it to this office. In case you do not wish to carry this matter further, will you please return these papers?

I understand that Mr. Flintham made you an informal agreement to the effect that he would reduce the price on this timber providing that you would cooperate with the Forest Service in clearing up your cut-over lands. This proposition can no longer be considered, because the State forest department has now taken up the question of clearing up your cut-over area, so the prices under which this timber is offered for sale are those which are current this year for timber sold by the Forest Service.

Very sincerely,

ROBERT W. AYRES,
Acting Forest Supervisor.

STATE OF CALIFORNIA, *County of Tuolumne, ss:*

The undersigned, officers of the West Side Lumber Company, depose and say: That under date of July 17, 1908, the acting forest supervisor of the Stanislaus National Forest submitted a proposition to the West Side Lumber Company for the sale to it of certain sugar and white pine timber. The price named in said proposition was $5 per thousand feet, board measure, for sugar pine and $3.5 per thousand feet for white pine.

GEO. JOHNSON,
Vice-President.
J. R. PRINCE,
Secretary.

Subscribed and sworn to before me this 13th day of November, 1908.

[L. S.] JOHN BATES,
Notary Public in and for Tuolumne County, Cal.

EXHIBIT E.

AFFIDAVIT OF RICHARD W. DOUGLAS, SEATTLE, WASH.

STATE OF WASHINGTON, *County of King, ss:*

I, Richard W. Douglas, being first duly sworn, depose and say that I am the Richard W. Douglas named in various places in the hereunto-attached reports, the pages of which are numbered consecutively from 1 to 9; that I have read the same, know the contents thereof, and believe the statements therein contained to be true.

RICHARD W. DOUGLAS.

Subscribed and sworn to before me this 17th day of November, 1908.

[SEAL.] S. M. BRACKETT,
Notary Public for King County, Wash., residing at Seattle.

I, Richard W. Douglas, of Seattle, Wash., U. S. A., did, on Wednesday, Thursday, and Friday, November 11, 12, and 13, 1908, visit and personally inspect the shingle-manufacturing plants of the Pacific Coast Mills (Limited), the Hastings Shingle Manufacturing Com-

Digitized by Google

pany, A. Cotton, Joseph Chew, the Imperial Shingle Company, all of Vancouver, British Columbia, and I did also visit and personally inspect the two shingle-manufacturing plants of Thomas Kirkpatrick and the shingle manufacturing plant of the Canada Shingle Company, located at Cedar Cove, British Columbia, Canada.

As a result of my personal investigation and inspection, I found that the number and kinds of workmen engaged in and about the plants of the above-named eight concerns were as follows:

	Japanese and Chinese.	Hindoos.	Whites.	Total.
Boom men	3	5		8
Bolt passers	1	3		4
Cut-off men	15	2		17
Block pilers	6	9	*1	16
Upright sawyers	26		26	52
Hand sawyers			1	1
Clipper men	8			8
Refuse movers		16		16
Packers	56			56
Band nailers and bundle passers	7		*1	8
Car loaders	10	7	4	21
Filers			8	8
Superintendent			2	2
Kiln and yard foremen			1	1
Total	132	42	44	218

* Boy.

From these figures it will be seen that the percentage of white, compared with the percentage of oriental employees engaged, was as follows: White workmen, 20 per cent; oriental workmen, 80 per cent.

I, Richard W. Douglas, of Seattle, Wash., United States of America, did on Wednesday, November 11, 1908, visit and personally inspect the shingle-manufacturing plant of the Pacific Coast Lumber Mills (Limited), of Vancouver, British Columbia.

As a result of my personal inspection and investigation I found conditions in the plant hereinabove referred to to be as follows: Number of upright shingle machines installed and in operation in this plant, 11; also 1 hand shingle machine.

The number and kind of workmen engaged in and about the plant of the above-named concern were as follows:

	Japanese and Chinese.	Hindoos.	Whites.	Total.
Boom men	1			1
Bolt passers	1			1
Cut-off men	2			2
Block pilers	1	2	*1	4
Upright sawyers	4		7	11
Hand sawyers			1	1
Clipper men	2			2
Refuse movers		2		2
Packers	11			11
Band nailers and bundle passers	1			1
Car loaders	4			4
Filers			2	2
Superintendent			1	1
	27	4	12	43

* Boy.

Digitized by Google

From these figures it will be seen that the percentage of white compared with the percentage of oriental employees engaged was as follows: White workmen, 28 per cent; oriental workmen, 72 per cent.

The upright sawyers were receiving 13 cents per thousand of shingles cut, the packers 7 cents per thousand of shingles cut; common laborers were receiving $1 per day—a few $1.25 per day.

FOREST CONSERVATION.

The problem of the perpetuation of our forests and the future supply of timber in the United States is very largely and almost entirely a financial one. It is neither an academic theory nor an abstruse question in political economy. It is essentially nonpolitical. Foreign competition would only aggravate an already complex situation.

The splendid stand taken by President Roosevelt regarding the conservation of our forests and the necessity for conserving our natural timber resources has the heartiest and most unqualified support and indorsement of American lumbermen.

In order to economically and judiciously harvest the timber, the lumber manufacturer and timber owner must receive a fair price for the entire product of the tree or he will be compelled to only harvest about 60 per cent of the best timber in the woods, which he is now doing, and leave 40 per cent to be wasted, and in most cases to be destroyed by fires, which almost inevitably follow logging operations.

In order to demonstrate the force of this argument that the element of price received from the product of the forest absolutely determines the utilization of the contents of the tree to its minimum or maximum, it will only be necessary to cite one example, which is typical of Pacific coast logging methods.

A leading Columbia River logging firm, which sell their logs principally to the Portland (Oreg.) mills, made up from their own books the following almost startling figures of the terrific waste which now menaces our Pacific coast forests:

Example 1.

Cut to January 1, 1906 ..... feet	97,808,825
Estimates of the amount of timber actually on the ground, but not removed on account of the low ruling price for lumber ..... feet	41,671,175
Average selling price of logs	$6.71

Example 2.

Cut to January 1, 1907 ..... feet	165,852,000
Estimates of the amount of timber actually on the ground, but not removed on account of the low ruling price for lumber ..... feet	25,482,000
Average selling price of logs	$9.41

Example 3.

Cut to January 1, 1908 ..... feet	230,477,003
Estimates of the amount of timber actually on the ground, but not removed on account of the low ruling price for lumber ..... feet	18,826,997
Average selling price of logs	$9.87

Digitized by Google

Reasonable profit an essential factor in economical logging.

The photographs Nos. 1 and 2, taken on the lands of the Booth-Kelly Lumber Company, of Eugene, Oreg., are offered for the purpose of illustrating more clearly the figures which have been submitted showing the very necessary and close relationship which the prices of lumber bear to the conservation of the forests, as illustrated by the manner of logging.

By examining photograph marked No. 1, we find that the land has been practically swept bare of its timber. The logs were removed from the lands during the winter of 1906 and spring of 1907, when the lumber trade of the United States had reached the highest point for many years.

Photograph No. 2 indicates the system of logging in vogue during the winters of 1907–8, when the great lumber industry of the Pacific coast was prostrated and paralyzed by the agitation and imposition of the railroads of a 25 per cent higher freight rate to the Middle and Eastern States of the United States than had been formerly in force. The owners of these timber lands in common with hundreds of other operators found that the common grades of lumber, which constitute 75 per cent of the tree, could not be marketed on the freight rate and compete as formerly with similar common grades located nearer the base of consumption. The mills had to be operated. Fixed charges had to be met. A greater proportion of higher grades had to be shipped. The forests, as you will observe, were simply "gutted." History has proven that fire will inevitably sweep the remainder of this timber.

The illustrations show the necessity and wisdom of maintaining the duty on lumber in the vital matter of forest conservation through economical logging methods.

When the manufacturer receives a fair price for his product he is not only able to pay his workingmen the highest wages but retain the American market for ourselves as well.

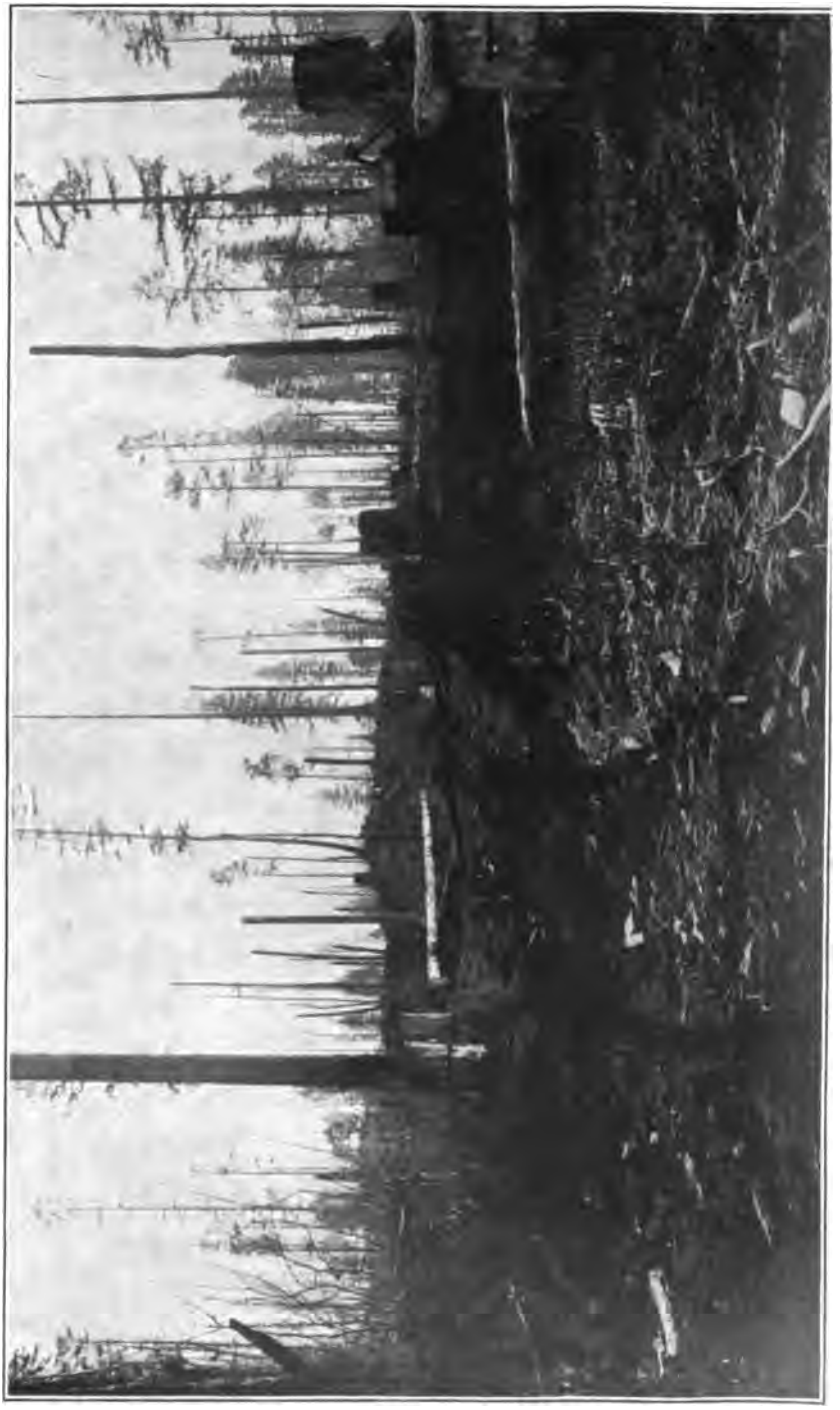
This is a most happy example of the blending of the benefits of a protective tariff and the wise and beneficent results which flow from intelligent and cooperative conservation. The benefits of protection are mutual and reciprocal.

Growing timber as a business by the Government.

The removal of the duty on Canadian lumber will not aid us to grow a single tree. It will only hasten the destruction of our forests through enforced competition with timber from other countries.

Let Congress pass a law permitting the Government to have the right to condemn for national forest conservation purposes all lands from which the timber has been removed, at a nominal figure. The character of the land where the bulk of the timber growing in the United States is found consists of a rough, broken country, fit for only two things, the growth of timber and grass. The Government could lease the lands which are acquired for reforestation for grazing purposes in the West at, say, 5 cents an acre per year. The rental from these lands at 5 cents per acre would equal the interest on the outstanding bonds issued to purchase the lands at, say, $2.50 per acre.

Digitized by Google



Digitized by Google

CUT IN WINTER OF 1907 AND 1908.

Digitized by Google

The Government could, in this manner, finance a reforestation project of this kind without loss to itself, while the trees were growing. We should not sit idly down here and raise a hue and cry about the depletion of the forests without working out some practical plan for replenishment.

Diversity of interest makes lumber combinations impossible.

Combinations or trusts are only possible where the raw material entering into an article can be controlled. In the case of the lumber business of the United States this is an impossibility, for the sufficient reason that the number of firms, corporations, and individuals engaged in the manufacture of lumber aggregated, according to the last census, in excess of 43,000, and the number of sawmills aggregated 28,850. Just stop and analyze for a moment the utter absurdity of attempting to bring into anything like a combination 43,000 men, representing 28,500 different mills. The average man who has ever tried to get even his neighbor in the same line of trade to act with him in any legitimate form of policy or respect fair trade ethics will realize at once the weakness of this statement regarding combinations among lumbermen. So much for the producer of lumber.

When it comes to the ownership of the raw material or stumpage from which the sawmill man must depend upon for the conduct of his business, it would be a fair statement to assume that there are at least six independent owners of timber to every sawmill in operation. All classes of people comprise this ownership.

The extent of their holdings are as varied as their number. Take on the Pacific coast, for instance, every farmer in the timbered region owns more or less timber, which he sells to the country sawmill which settles near him.

The titles to the timber holdings of this country are held by all classes of people. To assume that the ownership of the stumpage of the entire United States is held by only certain few individuals devoted to one industry is puerile. As well say that every man who buys stocks is necessarily engaged in the iron business.

Men in any given line of business have a common interest. It does not imply that their interests are antagonistic to the general policy of the country as a whole, or it would fail. This principle is so elementary in political economy that it needs no further discussion, and the great lumber business of the United States, with its ramifications in every nook and corner of this land, is no exception to the rule.

Lumber, constituting a necessarily important function in civilized life, is, however, one of the first industries to be affected by the general adverse conditions of trade and the slowest to recover from a slump. People do not have to build new houses, barns, or fences or make improvements involving lumber in hard times. Lumber is not like flour or any other article which is absolutely essential at whatever stage the commercial tide may be when hard times appear.

Digitized by Google

Transportation charges.

Freight rates are a positive and controlling factor in determining and fixing the price of lumber. The freight rates from the Pacific coast to the Middle and Eastern States are as follows:

	Per 100 pounds.
Denver	$0.40
St. Paul	.45
Omaha	.50
Chicago	.55
New York	.70

In order to arrive at a fair basis as to the average weight of the different classes of lumber shipped from the Pacific coast to the Middle and Eastern States, the following sworn statement of W. C. Miles, manager Globe Lumber Company, Globe, Wash., in the suit of the western sawmills against the transcontinental railroads, heard before the Interstate Commerce Commission in December, 1907, is herewith appended:

Average shipping weights.

	Per 1,000 feet.
14½ per cent shipped, at 2,000 pounds	$12.00
6 per cent shipped, at 2,500 pounds	15.00
16 per cent shipped, at 2,640 pounds	15.84
15.1 per cent shipped, at 2,700 pounds	16.20
48.4 per cent shipped, at 3,300 pounds	19.80

In order to illustrate from the above figures just what the effect of freight charges are as compared with the price of lumber we will cite one example for illustration. To-day common, rough, barn boards are worth $8 per thousand feet at the mill on the coast. The weight of these boards would be practically 3,000 pounds to the thousand feet. Take the rate to Omaha, for instance, of 50 cents per 100 pounds, and we find that the freight charges are $15 per thousand feet, or an average of one and one-half times the cost of the lumber. The reduction in the tariff on Canadian lumber would not reduce the transportation costs.

The railroads have been successful in their recent suit before the Interstate Commerce Commission in advancing their rates to Minneapolis and Chicago 5 cents per 100 pounds, which is equal to an advance of $1.50 per thousand feet to the consumer.

Another illustration: A recent shipment of lumber from Portland, Oreg., to Goldfield, Nev., a distance of 1,070 miles, where the rate is 80 cents per 100 pounds, showed by the expense bill that the railroad received $365.56 for freight charges and the Sunset Lumber Company, of Portland, Oreg., the manufacturer, received $161 for the lumber.

The reasons for citing the Pacific coast transportation charges on lumber to the consumers of the Middle and Central States are:

1. The Pacific coast rates are the highest to any point of consumption.

2. The existence of these great virgin forests naturally implies lower value of the product at the mill.

Digitized by Google

3. In order to compete with the forests nearer the base of consumption, with necessarily a higher stumpage value, the cost of the Pacific coast lumber must be kept down to a point where the initial cost plus the cost of transportation equals the competitive costs at other sources of supply.

Lumber small item in modern construction.

An examination of the detailed cost of four representative types of wooden construction of several buildings in Portland, Oreg., reveals the fact that the cost of the lumber in an ordinary house is a very small item as compared with plumbing and other costs.

EXHIBIT 1.—*July, 1908.*

Estimated cost of six-apartment building, Benton street, Portland, Oreg.:

Excavating and concrete	$795.00
Plumbing	1,320.00
Painting	398.00
Plastering	582.00
Brickwork	158.00
Tin work	88.00
Roof	138.00
Millwork (90 per cent labor)	982.00
Hardware, paper, and nails	198.60
Insurance and permit	11.30
Cartage	8.00
Electrical work	182.00
Window and door frames	197.00
Tile work	94.00
Heating plant	1,383.00
Lumber, 48,000 feet	624.90
Carpenter work	1,872.00
Total	9,031.80

EXHIBIT 2.—*August, 1907.*

Estimated cost of eight-room residence, East Seventh and Broadway streets, Portland, Oreg.:

Excavating and concrete	$420.00
Plastering and brickwork	430.00
Plumbing	470.00
Painting	235.00
Millwork (90 per cent labor)	535.00
Electrical work	65.00
Tin work	80.00
Heating plant	480.00
Hardware, paper, and nails	95.00
Permit, insurance, and cartage	16.00
Shingles, 22,000	63.80
Tile work	85.00
Window and door frames	56.00
Lumber, 28,000 feet	518.50
Carpenter work	1,015.00
Total	4,564.30

Digitized by Google

EXHIBIT 3.—*July, 1907.*

Estimated cost of four-apartment building, Larrabee street, Portland, Oreg.:

Excavating and concrete work	$785.00
Plumbing	925.50
Painting	312.00
Plastering	395.80
Brickwork	155.00
Millwork (90 per cent labor)	698.30
Tin work	78.00
Shingles	70.00
Hardware, paper, and nails	155.00
Insurance and permit	8.00
Cartage	4.85
Window frames	155.60
Electrical work	128.00
Furnaces	460.00
Tile work	68.00
Carpenter work	1,480.00
Lumber, 41,000 feet	698.40
Total	6,577.45

EXHIBIT 4.—*March, 1908.*

Cost of two six-room houses, East Seventh and Weidler streets, Portland, Oreg.:

Excavating and concrete work	$520.00
Plastering and brickwork	370.00
Painting	280.00
Shingles, 63,000	157.50
Electrical work	60.00
Tin work and furnaces	290.00
Hardware, paper, and nails	115.00
Plumbing	520.00
Millwork (90 per cent labor)	430.00
Insurance and permit	12.00
Cartage	6.00
Lumber, 32,000 feet	432.00
Carpenter labor	780.00
	3,972.50
Profit	400.00
Total	4,372.50

Substitutes for lumber—Cement an active competitor.

The steady substitution for lumber of steel, brick, stone, tile, glass, and cement has been growing very rapidly in the United States within the past ten years.

The almost universal restriction of the construction of frame buildings in practically every city, within well-defined fire zones, is recognized by every municipal government.

From this time forward the amount of lumber used per capita in the United States will be necessarily reduced by the use of these substitutes.

The anuual consumption per capita of lumber in the United States is approximately 470 feet, while in European countries the lumber consumption per capita is only 60 feet.

Digitized by Google

The controlling factors in decreasing the volume of lumber used in construction purposes may be summed up as follows:

(1) Total diminution of the world's available supply.

(2) Increased cost of labor and supplies entering in its manufacture.

(3) Increased rail cost of transportation from forest to the consumer.

As a competitor to lumber, cement has been the most aggressive and active factor in its displacement for practically every use. The growth of the cement industry has been phenomenal, and is still growing at a marvelously rapid pace.

The Department of the Interior, United States Geological Survey, in the bulletin which it has issued on the subject of cement for 1907, says:

STATISTICS OF PRODUCTION BY STATES.

The total Portland cement production of the United States in 1907 was 48,785,390 barrels, valued at $53,992,551, an increase over the output of 1906 of 2,321,966 barrels, or about 5 per cent, in quantity, and of $1,526,365, or about 3 per cent, in value. The distribution of this total among the different producing States in 1907 is given in the following table. The production by States for 1906 is included for comparison:

Production of Portland cement in the United States in 1906 and 1907, by States.

1906.				1907.			
State.	Producing plants.	Quantity (barrels).	Value.	State.	Producing plants.	Quantity (barrels).	Value.
Illinois	4	1,858,403	$2,461,494	Illinois	5	2,036,093	$2,632,576
Indiana	6	3,951,836	4,964,855	Indiana	7	3,782,841	4,757,860
Kansas	4	3,020,862	3,908,708	Kansas	5	3,353,925	4,240,358
Michigan	14	3,747,325	4,814,965	Michigan	14	3,572,668	4,384,731
New Jersey	3	4,423,648	4,445,364	New Jersey	3	4,449,896	4,738,516
New York	9	2,414,362	2,725,744	New York	9	2,290,955	2,433,918
Ohio	8	1,422,901	1,700,918	Ohio	9	1,151,176	1,377,155
Pennsylvania	19	18,645,015	18,598,439	Pennsylvania	22	20,393,965	19,698,006
Alabama	1	1,172,041	1,432,023	Alabama	2	1,274,470	1,883,305
Georgia	1			Georgia	1		
Virginia	1			Virginia	1		
West Virginia	1			West Virginia	1		
Arizona	1	1,146,396	2,034,382	Arizona	1	534,534	915,301
Colorado	1			South Dakota	1		
South Dakota	1			Texas	2		
Texas	2			California	4	1,893,004	2,715,398
Utah	1			Washington	1		
California	3	1,310,435	2,110,294	Colorado	1	864,938	1,395,179
Washington	1			Utah	2		
Kentucky	1	3,350,000	3,260,000	Kentucky	1	3,186,925	3,320,248
Missouri	2			Missouri	2		
Total	84	46,463,424	52,466,186	Total	94	48,785,390	53,992,551

IMPORTS, EXPORTS, AND CONSUMPTION.

The following tables show the imports for consumption, the exports, and the apparent consumption of hydraulic cement of all kinds in the United States for the years respectively mentioned:

Imports for consumption of hydraulic cement into the United States, 1902–1907, in barrels.

1902	1,963,023	1905	896,845
1903	2,251,969	1906	2,273,493
1904	968,410	1907	2,033,463

Digitized by Google

Exports of hydraulic cement, 1902-1907, in barrels.

1902	340,821	1905	897,686
1903	285,463	1906	583,299
1904	774,940	1907	900,550

Total consumption of hydraulic cement in 1907, in barrels.

Total production in the United States	52,230,342
Imports withdrawn for consumption	2,033,463
Total	54,263,805
Exports	900,550
Total apparent consumption	53,363,255

The figures for 1908 are not available, but it is expected the same increase will be shown.

The same ratio of growth of other industries devoted to the manufacture of substitutes for lumber could be offered, but it is not deemed material, as there can be no possible controversy on that point.

The remarks regarding the difficulty of securing a monopoly on cement, by Mr. Edwin C. Eckel, under whose direction the valuable data on the "Cement Industry in the United States" is prepared, reflect so manifestly the conditions which surround the lumber business that they are herewith appended.

The difficulty of monopoly.

Mr. Eckel says:

Perhaps the most marked feature of American economic history during the last decade has been the manner in which industry after industry has become consolidated in control, so as to approach more or less closely to monopoly. This has been particularly well marked in the iron and steel industries, and it is worth considering how far a similar evolution is likely to affect the cement industry. At present the cement industry is the most individualistic of the larger branches of manufacture. No "trust," nor even any approach to a monopoly, is in existence, newspaper statements to the contrary notwithstanding; and in the writer's opinion the nature of the cement industry renders it impossible that any such large degree of consolidation of interest can take place as to result in permanently or unfairly high prices for the product.

When the history of both successful and unsuccessful "trusts" is examined, it will be seen that the only way in which a permanent monopoly can be secured and retaind by any consolidation is by the control of the supply of raw material, by the absolute control of basic patents, or by the control of transportation.

* * * * * * *

On careful consideration of the matter, it will be seen that only one answer is possible. It is safe to say that more than 20 per cent of the entire area of the United States is underlain by raw materials out of which cement could be made if prices were forced high enough.

American cement is protected against foreign competition by a duty equivalent to 25¼ per cent.

Lumber is protected by a tariff of only 12 per cent, which in all fairness should not be lowered.

Shingle markets.

The same conditions which surround the lumber trade of the Pacific coast are equally true of the shingle business. The following letter from the University Lumber and Shingle Company, of Portland,

Digitized by Google

Oreg., shows the situation fairly. The difference in the cost of Chinese labor as compared with American makes a cost difference of about 30 cents per thousand shingles and practically equalizes the present duty of 30 cents now imposed on shingles.

Shingles.

Cost of manufacturing shingles per 1,000 for labor in United States, 55 cents; British Columbia, Chinese labor, 25 cents; difference, 30 cents.

PORTLAND, OREG., *November 11, 1908.*

Mr. GEORGE M. CORNWALL,
Portland, Oreg.

DEAR SIR: In answer to your favor of November 11 as to the actual cost of labor in manufacturing extra # A # shingles, would state that we keep a very accurate account of the labor that is used for manufacturing shingles at our plant and figure the same every week, and it varies from 52 cents to 56 cents per thousand for extra # A # shingles. This is the grade that is used in the territory that we are shipping to, and we manufacture about 4,000,000, or 20 carloads, of extra # A # shingles per week. And would state that on clears it would cost at least 10 cents per thousand more for the actual labor that is taken.

Would state that if the duty is removed it would almost ruin our business, as the shingle men in British Columbia are using mostly Chinese help. We would be placed to a disadvantage on the labor problem alone from 20 cents to 30 cents per thousand, as a Chinaman can be hired much cheaper than a white man.

We are also placed to a great disadvantage as to the price of logs from British Columbia compared to the logs on the Columbia River, and the same rule would apply to that, as a great many Chinamen are employed there in camps.

The aility of the British Columbia manufacturer of red-cedar shingles to compete successfully against the American manufacturer is proven absolutely by his ability to purchase labor and logs at a less cost than his American competitor and still realize a profit despite the fact that duty on Canadian shingles is 30 cents per thousand.

On account of the cost of actual labor we find, under the present tariff, they are our most active competitors in the Eastern and New England States despite the fact that their rail rate is equal to ours.

Yours, respectfully,

UNIVERSITY LUMBER AND SHINGLE CO.,
Per A. J. KROENERT.

Oregon bureau of labor exhibit.

Through the courtesy of the commissioner of the bureau of labor in Oregon we are able to present the figures shown in an advance sheet of the biennial report for the years 1907–8 to the legislature of Oregon. This report shows that the average wage paid for skilled workmen in the sawmills and logging camps of Oregon covering these years were: Skilled labor (sawmill), average per day, $3.10; unskilled labor (sawmill), average per day, $2.21; labor (in logging camp), per month, $61.

Digitized by Google

These figures, from the most authoritative sources obtainable, prove conclusively that the contention that the low wage schedule of eastern Canada in the woods and of British Columbia, with its Mongolian labor in the mills, must be clear to every unprejudiced man; that the inexorable law of the survival of the fittest must necessarily crowd the American wage scale to the lowest level if unrestricted competition be permitted.

The relation of the tariff to northern lumber.

The protection afforded by the tariff is of vital importance to the manufacturers of white pine and hemlock lumber who are operating in the States of Minnesota, Wisconsin, Michigan, and Pennsylvania. While it is true that the production of lumber in these States has decreased—although the total lumber production of the entire country has greatly increased—a large number of people are directly dependent upon it, and will be for many years.

There are approximately 100,000 men directly engaged in the lumber business in the States named, whose families will average at least four persons, making a half million people who would be affected by anything that would seriously disturb the prosperity of this industry—as the removal of the existing protection would certainly do. There are over 300 towns in the States named which are almost wholly maintained by the sawmills situated in them. Hundreds of small merchants and dealers of every kind derive their livelihood largely from the money paid out in wages to the employees in the sawmills.

The making of lumber consumes more of the produce of the farmer than any other manufacturing industry. Great as is the aggregate amount of wages paid to the employees of the lumber mills and to the men engaged in the woods, still greater is the amount of money paid for supplies of every kind, most largely produced by the farmer. These include horses in great numbers, their feed, and food for the woodsmen, not to mention vast quantities of woolen goods, leather belting, and many similar articles, the raw materials for which are produced by the farmer. The vastness of the market afforded by the lumber industry of the Lake States for farm products will be apparent. The advanced prices which the lumber manufacturers have been obliged to pay for many classes of farm products have been greater during the past eight years than have been the advances which they have been able to obtain for lumber. We give below a list of prices on principal cereals for a period of years, as well as prices on standard grades of white-pine lumber:

Range of prices of northern pine lumber.

[Mill averages - standard grades.]

	1898.	1899.	1900.	1901.	1902.	1903.
Dimension (2 x 4-16')	$11.50	$12.50	$12.00	$12.50	$14.00	$15.60
Common boards (8", No. 2, 16')	12.00	14.00	14.50	15.00	17.00	17.50
No. 4 boards	7.00	11.00	11.00	10.00	11.50	11.50
Fencing (6", No. 2, 16')	12.00	14.00	14.50	15.00	16.00	18.00
Finish (1½", C, Sel.)	30.00	35.50	37.00	41.50	45.50	46.00
Siding (C)	16.50	18.00	19.50	22.50	24.00	25.60
Average	12.25	12.50	13.50	14.30	15.10	15.90

Digitized by Google

Range of prices of northern pine lumber—Continued.

	1904.	1905.	1906.	1907.	1908.
Dimension (2 x 4-16')	$15.00	$16.50	$21.00	$22.00	$18.00
Common boards (8", No. 2, 16')	18.00	18.50	20.50	23.00	22.00
No. 4 boards	12.50	13.50	16.00	17.50	14.00
Fencing (6", No. 2, 16')	18.50	19.00	24.00	26.00	20.00
Finish (1¼", C, Sel.)	46.00	46.50	48.00	49.00	49.00
Siding (C)	23.00	23.00	24.00	24.00	22.00
Average	16.12	17.22	20.43	21.35	19.80

Range of grain prices.

[Average cash prices at Chicago.]

	1898.	1900.	1902.	1904.	1906.	1907.	1908.
Wheat, No. 1 northern	$0.71½	$0.72	$0.71⅝	$0.91½	$0.87¼	$0.93	$1.15
Corn, No. 3 yellow	.30	.32½	.58¼	.49¾	.47	.54⅝	.63⅝
Oats, No. 3 white	.21	.22¼	.35	.41⅛	.40	.43⅛	.47¾

Those who have appeared before the Ways and Means Committee favoring a repeal of the present tariff on lumber have testified that in their opinion the removal of the duty would not cheapen the price of lumber to the American consumer. In that event we ask why it should be removed? It would benefit no one but those who hold leases on Canadian timber lands from the Canadian government, and would deprive our Government of a much-needed revenue.

There is prevalent throughout the Middle West the widespread impression to the effect that the removal of the tariff would cheapen the price of lumber to the consumer. This is based upon erroneous information, largely disseminated by the newspapers which are in favor of the removal of the duty on lumber products and wood pulp for obvious reasons. The lumber mills of Canada do not now manufacture a sufficient quantity of the better grades to supply their home demand, and large quantities of the good lumber manufactured in this country is exported to Canada. We ship more lumber to Canada than to any other country, except England and the Argentine. Our exportations, and the value of the same, during the past four years, have been as follows:

Year	Feet.	Value.	Year	Feet.	Value.
1905	159,379,000	$3,286,367	1907	172,371,000	$4,971,808
1906	101,989,000	2,576,189	1908	149,884,000	4,269,179

There has been enormous development, especially of the western Canadian Provinces, within the past six years. This remarkable growth is certain to continue, since the cultivation of wheat in that section is rapidly increasing. The nations of Europe continue to call for more wheat than the United States can furnish them, for our wheat cultivation is decreasing and the deficiency must largely be made up by the development of the prairie section of Canada, where the conditions are extremely favorable for the cultivation of this crop. The development of the country, extending 800 miles west from Win-

Digitized by Google

nipeg, Manitoba, including the Provinces of Saskatchewan and Alberta, to the Rocky Mountains, is certain to consume vast quantities of lumber, principally for ordinary construction purposes, and as the lumber business in the timbered area of British Columbia and north of the Great Lakes is developed to supply this demand, the sawmills will find themselves possessed of immense quantities of low-grade lumber, of which every class of timber produces a large percentage, which can not be utilized for construction purposes. It is this low-grade stock that will come into direct competition with the American mills if the duty is removed. This is a class of lumber which the average American consumer does not use, and is not even sold to the average country retail lumber yard. As the general prosperity of the American nation has increased since 1899, there has developed an enormous demand for lumber suitable for boxes, crating, etc., which, previous to the year mentioned, was burned up simply because there was no demand for it. The mills operating in white-pine timber formerly maintained large burners into which all refuse, including the class of materials from which low-grade boards are now made, was burned. As the demand for this portion of their output increased, its value correspondingly advanced, and with every rise in price it has been possible to bring out of the woods logs and material which were previously unprofitable to handle, and which were consequently allowed to burn or rot on the ground. There is no more forcible example of the undisputed fact that high prices for lumber tend to conserve the forests than the experiences of the white-pine manufacturers with their low-grade lumber during the past few years. Because they could profitably handle this stuff the manufacturers have cleaned their lands so closely that approximately 40 per cent of their total output has consisted of what is known as "Mississippi Valley Nos. 3, 4, and 5 boards." Practically none of the No. 4 and No. 5 boards are sold to the retail lumber dealers operating country yards. This low-grade stuff is used almost exclusively in the manufacture of boxes, packing crates, and for many similar purposes. Its sacrifice, both by burning it up at the mill and leaving it in the woods, would not cheapen the lumber used by the average consumer; neither would the admission of this class of lumber from Canada reduce the cost of the ordinary grades in this country. It would simply compel the American manufacturer to waste a considerable part of his available material and deprive the Government of revenue.

The Canadian lumberman can produce lumber cheaper than can the American lumber manufacturer for many reasons. First, because of his ability to obtain labor, under ordinary conditions, at some less cost, and second, because the Canadian manufacturer is not subjected to the excessive taxation which the American mills are burdened with. The Canadian holds a license from either the dominion or the provincial governments to cut the timber within certain limits. He pays an annual land rent, and a royalty for each thousand feet of timber which he cuts after the same is manufactured and sold. The rental and the royalty together do not amount to the taxes which are imposed in the United States. The Canadian government stands the risk of deterioration and fire loss which the American is obliged to assume.

The testimony before the Ways and Means Committee of Mr. Edward Hines, of The Edward Hines Lumber Company, Chicago, Ill.,

Digitized by Google

was a very clear exposition of the burdens assumed by the American manufacturer by reason of excessive taxation as compared with the advantages of holding timber licenses in Canada. The Company in which Mr. Hines is interested owns 500,000,000 feet of timber limits in Ontario, the carrying charge of which is infinitesimal as compared with the tax of 3 or 4 per cent imposed upon the value of his company's timber holdings in Wisconsin, which is entirely in addition to the personal property tax, which is not levied at all in Canada.

The question of the taxation of timber lands in the United States is one of the most serious problems that faces the American lumber manufacturer to-day, and upon its proper and prompt solution depends the conservation of our forests.

It may be asked how the Canadian manufacturer can sell his low-grade output in this country cheaper than we can. This is possible, first, because a large part of the Canadian lumber output can be transported more cheaply to our consuming territory than it can be shipped from the American white-pine mills. The white-pine timber belt of Canada, which would enter most directly into competition with the mills in Minnesota, Wisconsin, Michigan, and Pennsylvania, are principally located in the Georgian Bay district. They are all situated on the Canadian shore of the lakes, their logs being floated down the many streams which flow into Lake Superior, Lake Huron, and the Georgian Bay, making timber as far as 300 miles north tributary to these manufacturing points. The great consuming and distributing cities of Milwaukee, Chicago, Toledo, Cleveland, Buffalo, and Tonawanda, not to mention many of the smaller lake ports, are directly accessible to the Canadian mills at a lesser cost of transportation than are the majority of our own white-pine mills. The Canadian mills in the territory referred to can reach the cities mentioned directly by water at an average transportation cost of $1.75 per thousand feet of lumber, whereas our own interior mills are obliged to depend upon rail, or rail and water, shipments, the transportation cost ranging from $5 to $10 per 1,000 feet to the same distributing markets. Lumber is reshipped and distributed from the lake ports to all points of the immense consuming territory embraced within New York on the east, the Ohio River on the south, and the Mississippi River on the west. The removal of the duty would certainly permit the Canadian manufacturers of the Georgian Bay district to enter this immense market with their low-grade material to the detriment of the American producer, and all that he represents, and to the great waste of our forests.

Digitized by Google

The amount of lumber imported into this country from Canada has increased extensively both in volume and value per thousand feet, as the table below will show:

Importations of lumber from Canada.

Year.	Feet.	Value.	Per thousand.
1892	663,226,000	$7,540,700	$11.37
1893	742,351,000	8,217,331	11.06
1894	514,461,000	6,134,104	11.92
1895	600,790,000	6,859,078	11.41
1896	786,001,000	8,503,641	10.82
1897	883,770,000	9,073,312	10.26
1898	352,134,000	3,499,569	9.91
1899	423,720,000	4,186,664	9.88
1900	680,069,000	7,464,108	10.27
1901	490,570,000	6,343,326	12.93
1902	664,751,000	9,288,970	13.88
1903	719,135,000	10,569,066	14.69
1904	586,459,000	8,744,193	14.91
1905	705,396,000	10,726,273	15.20
1906	944,275,000	14,592,334	15.45
1907	924,863,000	15,867,031	17.15
1908	782,789,000	14,989,179	19.14

Comparative average wages paid by pine sawmills of Wisconsin, Minnesota, and Michigan.

[Sawmill employees, day rate.]

	1895.	1898.	1900.	1902.	1904.	1906.	1908.
Foremen	3.19	3.85	4.50	5.00	6.00	7.00	6.50
Millwrights	2.55	2.88	3.50	3.75	3.80	4.00	3.25
Engineers	2.55	2.80	3.50	3.50	4.00	4.50	4.00
Sawyers	3.50	4.50	5.25	5.50	6.00	6.50	6.00
Setters	2.25	2.50	2.75	2.80	2.85	2.90	2.75
Edger men	2.25	2.50	2.75	2.80	2.85	2.90	2.75
Trimmer men	2.00	2.50	2.60	2.60	2.75	2.80	2.50
Graders	2.25	2.50	3.00	3.00	3.25	3.25	2.50
Tallymen	2.00	2.25	2.25	2.40	2.50	2.60	2.25
Pilers	1.55	1.75	1.90	2.00	2.15	2.25	2.15
Blacksmiths	2.00	2.50	3.00	3.00	3.00	3.25	2.75
Laborers	1.25	1.75	1.80	1.85	1.90	2.00	1.75
Sorters	1.50	1.80	1.90	2.00	2.25	2.30	1.95
Boom men	1.50	1.65	2.00	2.15	2.25	2.50	2.25

Wages paid for woods work in Minnesota, Wisconsin, and Michigan.

[Monthly wage, including board.]

	1896.	1898.	1899.	1900.	1901.	1902-4.	1906-7.	1907-8.
Teamsters	$16	$20	$24	$26	$30	$35	$38	$30
Swampers	13	20	24	25	30	30	40	35
Choppers	14	20	24	26	30	30	40	35
Loaders	20	26	30	32	35	35	40	35
Sawyers	14	20	24	26	30	32	35	32
Graders	13	18	20	24	30	30	35	30
Chain tenders	16	18	20	24	30	30	35	25
Blacksmiths	35	45	50	55	60	60	65	55
Cooks	40	45	50	55	65	65	70	50

Digitized by Google

Comparison of wholesale prices of northern pine.

Sizes.	F. o. b. Winnipeg, Manitoba, February 1, 1908.	F. o. b. Minneapolis, Minn., January 28, 1908.
Rough timber:		
3 x 6, 3 x 8, 12, 14, and 16'	$23.50	$18.50
3 x 10, 12'	25.00	21.00
3 x 12, 12'	23.00	22.50
4 x 4 to 8 x 8, 12, 14, and 16'	23.50	19.00
4 x 4 to 8 x 8, 12'	23.50	19.00
4 x 10 to 10 x 10, 12'	23.50	21.00
Fencing, rough:		
No. 1 6", 10-14'	26.50	29.00
No. 2 6", 10-14'	23.50	25.50
No. 3 6", 10-14'	20.50	15.00
4 and 6" flooring:		
O, 10-14'	42.50	44.00
D, 10-14'	29.50	32.00
C and better Norway 10-14'	27.50	30.50

Highest and lowest prices paid the State of Minnesota for stumpage.

	Highest.	Lowest.		Highest.	Lowest.
1895	$5.25	$1.00	1902	$10.60	$2.50
1896	(a)	(a)	1903	9.00	3.50
1897	5.05	1.00	1904	9.00	3.00
1898	4.65	1.50	1905	12.25	4.00
1899	(a)	(a)	1906	13.55	5.00
1900	9.00	2.00	1907	9.00	4.00
1901	8.70	3.50	1908	(a)	(a)

[a] No state sales held.

In 1890 pine stumpage, the estimates of which included only the very best timber, was sold at from $5.50 to $6.50 in the State of Michigan, from $2 to $4.50 in Wisconsin, and from 75 cents to $4 in Minnesota. At the present time Michigan timber is held for $10 to $20 and above. In Wisconsin timber sells for from $6.50 to $15, and in this State the last sale brought $5 for the minimum and $13.55 for the maximum prices. Estimates now include all of the timber, regardless of its size or quality.

The United States Government sells white pine in Minnesota to-day for $12 and Norway for $10.

It is impossible to buy logs in the open market and manufacture them and sell lumber at prevailing market prices and realize any profit.

The removal or the material reduction of the existing tariff would only enable those who operate under Canadian timber licenses to flood the American markets with their low-grade product to the detriment of both American labor and employers, without benefiting the average consumer, who would be obliged to pay as much for the ordinary grades of lumber he purchases as he does at present.

It would prevent the American manufacturer from utilizing the raw product to as close an extent as he now does; hence would increase the waste in our forests. It would hasten the destruction of the Canadian forests and would reduce the revenue of our Government.

Respectfully submitted.

D. E. SKINNER,
VICTOR H. BECKMAN,
GEORGE M. CORNWELL,
Representing the Pacific Coast Lumber, Timber, and Shingle Interests, and 190,000 Wage-earners.

Digitized by Google

SAWED LUMBER.

[Paragraph 195.]

THE MILLARD LUMBER COMPANY, ROUSES POINT, N. Y., THINKS DUTIES ON DRESSED LUMBER SHOULD BE INCREASED.

ROUSES POINT, N. Y., *December 1, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.

DEAR SIR: I understand that your committee is considering the question of tariff on lumber and its products, together with the dressing connected thereto.

I have the honor to be president of the Millard Lumber Company, also of the village of Rouses Point. We have a large mill here, with 36 acres of piling ground, and also two yards on the Hudson River. Our mill here at Rouses Point is within 1 mile of the Canadian line, and we are sawing logs, manufacturing box shooks, and dressing lumber in transit from Canada to the States. It is the principal industry of this place, and we have on our pay roll about 150 men, and are cutting timber in the Adirondacks, having now 30 men or more there, and bringing the logs here to be manufactured. We have also purchased within the last two years 800 carloads of spruce logs from Canada. There is no duty on logs, but there is a duty of $2 per thousand feet on sawn lumber. We paid a freight of $3 per thousand feet on logs from Canada on the amount of sawn lumber the logs produced. That same lumber, if sawn in Canada, the freight on it would have been about $1.25 per thousand feet. The railroads have now advanced the freight on logs to nearly four times what the lumber would be—that is, what the logs would produce.

I have been in the lumber business fifty-six years, part of the time with my father—my father commencing in 1824—the balance of the time, since 1880, with my two brothers, who are interested with me now; there are only the three of us in the business, and we have had five yards, four of which were on the Hudson River, and this one up here. I claim to have had as much experience as most anyone that is in the lumber business, and I honestly think that if the duty is taken off of lumber and the dressing of same it will be impossible for us to stay here in Rouses Point—we will have to go into Canada. For instance, we are buying lumber now in Canada, where the freight is 14 cents per hundred pounds to Rouses Point; estimating the dry lumber at the mill at 2,500 pounds to the thousand feet, that would make the freight $3.50 per thousand; if it was dressed there the freight would be $2.80 per thousand feet. There is 70 cents saved in freight alone, besides the labor at these mills, as near as I can get at the information—is at least 25 to 30 per cent less than what we have to pay here. Furthermore, the present duty of $2 per thousand feet is very low anyway, in comparison to the extra cost of manufacturing from the log on this side of the line. For instance, good sidings in Canada are worth $40 per thousand feet at a low estimate, and extra good lumber ranges from $50 to $60 per thousand feet. Say we average it at $40, $2 per thousand feet duty is only 5 per cent, and any good

Digitized by Google

business man would readily see that lumber could be manufactured in Canada for a good deal less percentage than that, comparing it with the cost over here.

I hope the tariff will not be altered, unless it would be to increase the rate on dressed lumber.

Canada people have the advantage of us to-day, more than what the present extra duty is on dressed lumber, and I can not help but think that if the duty is reduced on rough lumber, Canadians will advance their prices that much more.

I have been looking for a block of timber in Canada that I could bring out here in the log and manufacture on this side of the line at our mills here, but if the duty is taken off of lumber, or reduced to any considerable extent, my interest would be to manufacture the lumber in Canada and send it over here. There is at least $2 per thousand benefit to our labor on this side by bringing the logs over from Canada—yes, nearer $3.

Any further information that you would like that I am able to give I will gladly submit.

Yours, very truly,

WM. B. MILLARD,
President Millard Lumber Company.

STATEMENT OF COL. ALBERT CLARKE, OF BOSTON, ASKING RETENTION OF PRESENT DUTIES ON SAWED LUMBER.

FRIDAY, *November 20, 1908.*

Mr. CLARKE. Mr. Chairman and gentlemen of the committee, I represent the Rufus Deering Company, wholesale and retail lumber merchants, of Portland, Me.; also the St. Johns Lumber Company, of the same city, manufacturers of spruce and cedar, with a daily capacity of 125,000 feet of long lumber, 80,000 laths, 5,000 clapboards, and 175,000 feet of shingles.

We desire to have the present duty on sawed lumber—$2 per 1,000 feet—continued. When there is an active demand it does not prevent a large importation, but when trade is depressed, as it has been for a year past, it affords some protection. There has been little or no profit made in the manufacture since the panic of October, 1907, but without the duty the Canadian manufacturers would have supplied our market, unless our workmen would have accepted the Canadian scale of wages.

Later I will file a statement of the relative wages paid in both forest and mill in the two countries.

Spruce lumber, delivered at Boston points, is now selling at from $20 per 1,000 feet for narrow random to $24 and $25 for lumber cut to order, 9 inches wide and narrower. If it is 10 or 12 inches wide the price is $2 higher. It is obvious, therefore, that the duty affords but 9 to 10 per cent protection.

In this connection I desire to present a table of the average prices of spruce lumber, delivered in Boston, from 1897, the year of the enactment of the present tariff, to 1906, the year of the highest prices, both inclusive, which was furnished me by Walstein R. Chester & Co., wholesale lumber commission merchants in Boston.

Digitized by Google

Average prices of spruce delivered at Boston.

	1897.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.
Yard orders by vessel	$13.50	$10.00	$16.00	$14.50	$14.75	$17.50	$17.75	$18.00	$19.00	$20.00
Extra clapboards	30.00	29.00	29.00	27.00	30.50	42.00	45.00	45.00	45.00	45.00
Spruce boards	10.50	9.50	13.00	13.00	15.00	16.00	16.50	17.50	17.00	19.00
Pine shippers	16.00	15.00	17.00	20.00	20.00	22.00	25.00	25.00	25.00	25.00
Cargo hemlock boards	10.00	9.62	11.75	13.00	14.50	14.50	14.00	14.00	18.50	20.00
Frames	13.50	14.50	18.50	18.00	18.00	18.00	19.00	19.00	22.00	24.00
Furring	12.00	12.00	13.50	12.50	15.50	17.00	17.50	18.00	21.50	21.00
2 x 4" and 2 x 3"	12.00	11.00	14.00	13.50	16.50	17.50	17.00	17.50	19.00	19.00
1½" laths cargo	1.50	1.95	2.50	2.50	2.50	3.00	3.10	3.25	4.00	4.00
1¼" laths cargo	2.20	2.30	2.25	2.25	3.00	3.25	3.25	3.30	3.80	4.20
Extra cedar shingles	2.65	2.60	2.60	2.90	3.50	3.40	3.40	3.50	3.50	3.50

In transmitting it, Mr. Chester wrote:

The great changes of prices in lumber are owing, particularly in spruce, to the quantity now used by paper mills, they using nearly one-half of the entire cut; to the increased hauling distance, to enhanced cost of manufacture, and also to increased demand. Of pine, South America takes about all the 12-inch boards that are manufactured in Canada, quite a percentage of our own cut, and at prices that consumers here could not meet, even were there no duty. There can be no advantage to consumers here in taking the duty from lumber.

I respectfully call the attention of the committee to the fact, as shown by this table, that prices were not higher, but were generally a little lower, the next year after the Dingley law was enacted than they were the year before. This proves that the duty was not added to the price. Then there is the further fact that prices far outran the duty as demand increased. On spruce boards, for instance, the price became $8.50 a thousand higher than it was when the $2 duty was put on. It would be absurd to claim that the duty was responsible for an advance more than four times greater than itself.

Particular care should be taken to afford adequate protection to the by-products. To illustrate: The Canadians in the lower Provinces ship their best grades of manufactured lumber to England and South America, where they obtain about as good prices as prevail in the United States and have no duty to pay. Then they make millions of laths out of the edgings and slabs, and dump them upon our market under the nominal duty of 25 cents per 1,000 pieces.

This duty ought to be doubled, for, as a rule, the most money that the sawmill makes is on the waste. A duty of 50 cents per 1,000 pieces would not be out of proportion to the other lumber duties, and would not average up to the duties in other schedules.

When this duty was established the price of laths was about $1.50 per 1,000. Two years ago it held for the entire year from $3.90 to $4. During the last year laths delivered by vessel in New York have brought from $2.75 to $3.50. The ad valorem equivalent of the duty at present is only 7.2 per cent, but when enacted it was 16.6 per cent. If it is doubled now it will not be equal to what it was then.

Mr. James W. Parker, president of the companies that I represent, informs me that "at times ten to twenty-five millions of laths from the Provinces arrive in New York in a fleet of vessels in one day." The magnitude of this by-product business, therefore, is sufficient to merit attention.

Digitized by Google

The duty of 30 cents per 1,000 on shingles is moderately protective and should either be continued or increased. There are large quantities of cedar in northern Maine and in the Canadian Provinces, and shingles made from cedar in both places compete sharply in our market.

Mr. HILL. Have you any idea that the people in Massachusetts, Rhode Island, and Connecticut, the manufacturers there, would consider for a moment the increase of duties to any such basis as you are considering there?

Mr. CLARKE. The only increase that is asked is on laths, and that would not make it equal in the ad valorem equivalent to what it was when the duty was imposed. I desire to add that in my opinion the increased duty will not increase the price. The Canadian and other exporters to this country will pay it to enjoy our market, and thus our revenue will be increased three or four hundred thousand dollars a year.

COL. ALBERT CLARKE, OF BOSTON, MASS., FURNISHES STATEMENT OF CANADIAN AND MAINE LUMBER LABOR COST.

DECEMBER 7, 1908.

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
Washington, D. C.

SIR: In my statement of Friday evening, November 20, I promised to furnish figures of the wages in lumber mills and forests in the State of Maine and in Canada. In compliance therewith I give figures furnished to me by Mr. James W. Parker, treasurer of the St. John Lumber Company, of Portland, Me., and a table of the wages of similar employees in the Province of Quebec and in the mills of J. R. Booth, of Ottawa, Ontario.

In Maine:		In Canada:	
Setters	$2.50	Setters	$1.50
Doggers	2.00	Carriage riders	1.25
Sawyers	5.50	Sawyers	1.75 to 2.00
Edgers	3.00	Edgers	1.50 to 1.66
Common labor	1.50 to 1.75	Common labor	.70 to .90
Carpenters	2.00	Carpenters	1.00
Teamsters	1.75	Horse teamsters	.90
Filers	4.00 to 6.00	Filers	1.75 to 2.00

In Maine the wages paid in the woods in the winter of 1907–1908 were $26 to $35 per month and board—the $35 being paid to teamsters and choppers. Wages are lower this winter, because so much labor is out of work. They range from $24 to $30.

In Canada the wages in the woods ranged from $8 to $18 per month and board during the winter of 1897.

My information in regard to Canadian wages is taken from Exhibit A in the pamphlet memorial of the lumber manufacturers of the United States sent to the joint high commission, sitting at Quebec, in the autumn of 1898. I have not been able to obtain later figures, but am advised that there has been a small increase in wages paid, probably, however, only corresponding with the increase in the United States.

Very truly, yours,

ALBERT CLARKE.

Digitized by Google

PLANED LUMBER AND CLAPBOARDS.

[Paragraphs 195 and 199.]

THE ANKETELL LUMBER COMPANY, DETROIT, MICH., CLAIMS THAT PRESENT TARIFF IS PROHIBITIVE.

DETROIT, MICH., *November 27, 1908.*

SECRETARY WAYS AND MEANS COMMITTEE,
Washington, D. C.

DEAR SIR: As a consumer, a retailer, and a wholesaler of lumber, please file this protest against Schedule D of said tariff. The companies which I represent are particularly interested in and familiar with the items referred to in sections 195, 199, 201, and 203, and I wish to go on record as saying that the present tariff on the items referred to in those sections is detrimental to the interests of the consumers, retailers, and wholesalers, or jobbers of lumber, and that all of said items referred to in those sections should be placed on the free list.

Referring particularly to that part of section 195 which reads as follows: "But when lumber of any sort is planed or finished, in addition to the rates herein provided, there shall be levied and paid for each side so planed or finished fifty cents per thousand feet board measure," would say that, in trade terms, a board has four sides, or two sides and two edges, and that the usual price ranges from 50 cents to 75 cents per thousand feet board measure for planing one side; from 75 cents to $1 per thousand feet for planing two sides; from 75 cents to $1 per thousand for planing two sides and one edge, or three sides; and from $1 to $1.25 per thousand for planing four sides, or two sides and two edges.

Further, referring to that part of said section reading "and if planed on one side and tongued and grooved, one dollar per thousand feet, board measure; and if planed on two sides and tongued and grooved, one dollar and fifty cents per thousand feet, board measure," the usual price for planing one or two sides and tongued and grooved ranges from 75 cents to $1.50 per thousand feet, board measure.

Further, referring to section 199, reading, "Clapboards, one dollar and fifty cents per thousand," would say that this section does not state whether it is board measure or not, but I take it for granted that it means surface measure, which would mean a tariff of $3 per thousand feet, board measure. The usual price for making clapboards ranges from $2 to $3 per thousand feet, board measure, or from $1 to $1.50 per thousand feet, surface measure.

Further, referring to the prices quoted, would say that these are the prices in vogue in most sections of the country where lumber is manufactured in large quantities. You will, therefore, see that your tariff on most items is practically prohibitive.

Sections 201 and 203 are not altogether prohibitive, although the tariff referred to is prohibitive most of the time.

Very truly, yours,

THOS. J. ANKETELL.

Digitized by Google

WHITE CEDAR POLES, POSTS, AND TIES.

[Paragraph 196.]

CHICAGO AND MICHIGAN DEALERS RECOMMEND REMOVAL OF DUTY FROM WHITE CEDAR POLES, POSTS, AND TIES.

CHICAGO, *December 3, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.

DEAR SIR: Please accept our thanks for your courteous letter of November 29, in answer to our inquiry of the 27th ultimo regarding a hearing before your committee on white-cedar products. We are sorry that we will not have time to have formal action taken by our association, as our annual meeting does not take place until some time in January.

There has been a meeting of a number of members of the association who are large owners of white-cedar stumpage, are large manufacturers of the products of white cedar, and who buy and sell the finished product—to wit, poles, posts, and ties—and we beg to submit the following:

That we believe the time has come when the duty imposed on white cedar posts, poles, and ties, as set forth in paragraph 196, on which a duty of 20 per cent ad valorem is imposed, should be removed.

We do not think that it would jeopardize any interests whatever, although there are some of our members who may object. But the price of labor of woodsmen in Canada is practically as high as it is on this side of the line; that any slight difference that may exist would be more than overbalanced by the extra cost of transportation. That it would tend to preserve to a small extent some of our own natural resources, as there are many millions of small trees cut into posts and small poles which, if let grow, would make valuable poles, ties, etc.

There is a great deal of data which we could bring forward to support our contention, but if in the wisdom of Congress it is not thought best to entirely remove the duty on white cedar poles, posts, and ties, we respectfully ask that the duty be made a specific one and materially lowered. There are regulations also which are very burdensome, particularly where material comes into the United States by vessel. The question of inspection is sometimes a question of different men's opinions, and a specific duty per tie, per post, or per pole of the various lengths would eliminate all this trouble.

Our contracts are made a long time in advance, and under the law as it now stands, we are supposed to pay duty on the market price, whatever that is at the time the material is imported. We sell also a long time in advance and there is always a great variation in these prices, because one railroad may contract to pay 30 cents for ties in October, which might be at that time the market price, while another railroad might contract to pay 40 cents in July of the following year, which would establish another price. Both of these lots of ties may be on the same boat. Which is the market price, 30 cents or 40 cents? This is only one incident. There are hundreds that could be cited.

Digitized by Google

We respectfully ask that this letter be printed with the hearings of the committee, so that when this matter is further taken up an opportunity may be given us to present our case in a concise but complete form.

Thanking you for the courtesy, we are,

Respectfully, yours,

WM. MUELLER COMPANY,
Blaney, Mich.

Messrs. RABER & WATSON,
Chicago.

THE VALENTINE-CLARK COMPANY,
Chicago.

NAUGLE POLE AND TIE COMPANY,
Chicago.

J. W. BENHAM.

WOOD LAST BLOCKS.

[Paragraph 200.]

THE BOSTON, MASS., LAST COMPANY RECOMMENDS THE PLACING OF WOOD LAST BLOCKS ON THE FREE LIST.

BOSTON, MASS., *December 1, 1908.*

Hon. SERENO PAYNE,
Washington, D. C.

MY DEAR SIR: We respectfully call the attention of your committee to the tariff on wood last blocks, which are now assessed at 20 per cent ad valorem.

It is our opinion, which we respectfully submit to your committee, that the tariff ought to be changed and wood last blocks placed on the free list, for the following reasons:

First. The wood last blocks are raw materials used in the manufacture of fine lasts. Fine lasts are a staple article necessary in the manufacture of shoes. The rough wood last blocks are cut from rock maple, basswood, and sometimes birch and beech. After the trees are felled the timber is cut into short logs, split, and rough-hewn and roughly dried. In this condition they are imported into the United States from Canada.

Second. The supply of available timber for this purpose in the United States is limited and is fast becoming less.

Third. Owing to the decreasing supply of timber the price of rough last blocks is advancing in the United States. In 1890 the price of a size 7 block was $40 per thousand. In 1908 it is $50 per thousand, and all other sizes have advanced in the same proportion, on an average of about 25 per cent.

Fourth. We have attempted the experiment of using Canadian timber for this purpose. The cost of transportation and plus the tariff has largely absorbed the profit expected from the importation, and were it not that the American supply is not large enough at the current market prices to supply all needs it would not pay to import the blocks. The only present advantage is a sure and steady source of supply.

Digitized by Google

Fifth. Placing blocks on the free list will encourage the manufacture of shoes and kindred industries in the United States. It will tend to relieve the demand on our forests and it will not afford sufficient competition with those engaged in furnishing blocks in the United States materially to interfere with any established industry. The source of supply of these blocks has been constantly moving westward, and the western demand will take all of the present supply. The eastern demand will be helped by resort to the Canadian forests.

Sixth. The Canadian government lists them as raw material and imposes no duty on blocks imported.

Seventh. To place last blocks on the free list is in line with the fundamental policies of the present tariff-revision program.

(1) It furnishes free raw materials for industries producing a manufactured article in the United States.

(2) It relieves the demand on our fast diminishing forests.

(3) It does not interfere with any existing and established industry.

(4) It tends to cheapen a necessity—shoes.

We trust that this will receive your favorable consideration, but if it is necessary to present this in person before your committee, if you will fix a time to present the same we will be pleased to send our representative to Washington for that purpose.

We remain, respectfully, yours,

BOSTON LAST CO.

SHINGLES.

[Paragraph 203.]

STATEMENT OF JOHN M'MASTERS, OF SEATTLE, WASH., RELATIVE TO THE SHINGLE INDUSTRY OF THE NORTHWEST.

FRIDAY, *November 20, 1908.*

Mr. MCMASTERS. I come from the northwest corner of the United States. I come from the State of Washington. My talk will be something different from what you have been hearing, as it is along a little different line. I am going to talk about the shingle business in the State of Washington. We have been talking lumber to-day, but I will tell you something about the shingle industry in the State of Washington.

I came to the State of Washington about twenty years ago, when the business was just in its infancy. I helped to manufacture about the first shingles that were shipped to the Middle States. We have been making shingles ever since. I am a manufacturer. My business is to cut down the tree, haul it to the water, manufacture it into shingles, load them into a car, and ship them to the market. I am one of 434 shingle mills in the State of Washington.

We do not want the duty removed from shingles. We would like to have it raised. If we can not have it raised, we beg of you to leave it where it is. It means to us who are in the shingle business life or death. I do not think I am putting that any too strong when

Digitized by Google

I say that. I for one have everything I own in the world invested in that business. I have been in that business all my lifetime. I have made my living at that business. I have supported my family and educated my children in that business. I have two boys who have grown up in the business. They know no other business. When they left school they went into the mill to learn how to make shingles. We have gained a reputation for grades and square dealing of which I think we have a right to be proud.

We believe if the duty is removed from the shingles it is going to destroy our business, because we are right in touch with British Columbia, where they have large quantities of red cedar. The future supply of shingles for this country must come from the State of Washington and the Province of British Columbia largely, because the State of Washington at the present time furnishes between 60 and 65 per cent of the shingles supplied in this country. The State of Washington alone can furnish all the shingles that the United States requires. I think I am not extravagant when I tell you I am satisfied that the State of Washington can furnish all the shingles that the United States can use for the next fifty years.

With us in the cedar business it is either shingles or nothing. People can make pine timber into lumber. They can work oak and all kinds of timber into lumber. We can not do that with cedar. There is only a small part of the cedar that can be made into lumber. There is about 75 per cent of our cedar that is good for nothing else but shingles. We do not know of any other purpose to which it can be put except shingles. We do make telegraph poles and a few ties, but the bulk of the cedar in the State of Washington is manufactured into shingles. It has either got to be manufactured into shingles or it has to stay in the woods.

Before we commenced to make shingles in the State of Washington the logger would go through the timber and leave the cedar standing and take out the fir. There are sections of country in our State at the present time where the cedar is lying and standing where logging operations were carried on twenty years ago.

At the present time we have a market for the shingles and we are cutting it into shingles and shipping it out in that form.

I want to give a little idea of what the shingle industry means to us. I stated in the beginning there were 434 mills, the daily capacity of which is about 15,000,000 shingles. We give employment to about 14,000 men. There are about 14,000 men engaged in making shingles in the State of Washington, and I suppose I may safely add 14,000 more directly depending on the shingle mills for a living, which would be 28,000 people.

The average pay roll in the shingle mills of Washington is about $3.50 a day per man. There might be some localities where it is a little less. In our business it averages about $3.50. The labor in a shingle mill is all skilled labor, and the men work a good deal by piecework. The men grew up in the business as boys, and they are experts and can do a large amount of work in a day. The lowest wages we pay are $2.25 to two or three men, and the highest $6.70. We pay to labor in the shingle business, each year in our own State, about $11,000,000. The capital invested, as nearly as we can calculate, in the mills and equipment, is about $125,000,000. That means a great deal to our State.

Digitized by Google

I want to give you some more figures. It has been estimated that the total valuation of all products of our State for 1906, including grain, fisheries, coke, coal, lumber, and shingles, was $128,000,000. The lumber and shingle output amounted to about $82,000,000.

Mr. HILL. How many millions of shingles?

Mr. MCMASTERS. The total value of lumber and shingles was about $82,000,000, and the value of shingles marketed was about $17,000,000 in 1906.

Mr. HILL. You have not the figures as to the number of shingles there were?

Mr. MCMASTERS. No; but I can furnish that very easily. I may have that somewhere. I am quite familiar with it, but it has escaped my memory just now.

We ask the Government not to remove the duty on shingles, because it means everything to us. It will take our market from us to a large extent. The British Columbia people are in a position to furnish shingles to the United States people in large quantities, but every carload of shingles furnished to the United States market from British Columbia deprives the State of Washington of just that much business.

It is not a question of price altogether. It is a question of market. If we lose our market, we have to close our mills, and many of our people in the State of Washington to-day are not in very good circumstances. A great many of them are in debt. All they own in the world they have invested in their mills and in the timber and business. A great many of them have borrowed money. If the duty is removed from shingles, the business will go to British Columbia, and many of our mills will be closed. The people of British Columbia are shipping shingles in quite large quantities into the United States now, and paying a duty of 30 cents a thousand. I know men personally that live in Seattle that have shingle mills in British Columbia that have operated for years, who have never sold a shingle in Canada. Every one of their shingles has come to this side of the line, and they have to pay a duty on them and yet have made more money than some of the mills on our side of the line.

Mr. HILL. What is the price of shingles now?

Mr. MCMASTERS. F. o. b. the mills for extra Star-A-Star, $1.50 to $1.60 a thousand. The highest price ever received for that grade is about $1.75 f. o. b. the cars. The lowest price was about 80 cents, which was some ten or twelve years ago.

It is impossible for the mills of the State of Washington to compete with the mills of British Columbia if the duty should be removed. We can not compete with them as it is, although they pay 30 cents a thousand duty. If the duty should be removed, we are down and out. They have the advantage of us in timber. They have the advantage of us when it comes to making shingles, to the extent of between 15 and 20 cents a thousand in the raw material. They have the advantage of us in labor at least 15 cents a thousand, which makes up the 30 cents they have to pay in duty, so when we consider what they save in timber and what they save in lumber, it totals up the 30 cents duty which they have to pay. If the duty is removed, you can all see we will lose our business, and the mills will be closed and our men will be out of employment, and the conditions

Digitized by Google

in our State would be hard indeed for the shingle manufacturers. Of that there is not the shadow of a doubt.

When it comes to the tariff question in the shingle business, if the duty is removed, we are right up against the real thing. Our men that are in our employ in the shingle business are all Americans; they are all white laborers. We do not employ oriental labor at all. Our men are well cared for. We provide good, comfortable quarters for our men. We have good boarding houses, and we give them the very best; we think they are entitled to it. Now, is it reasonable or is it fair for this Government to expect us to compete against conditions on the other side of the line, where they employ oriental labor, where men can work from 80 cents to $1.25 a day in the shingle business, and live in quarters such as they do? Is it fair we should have to compete against those conditions? I consider it only just and right that Canada should have the Canadian market, but I think it only just and right that the Americans in the State of Washington should have the American market for their product.

Mr. HILL. I was out in that country in the year 1895, and shingles were then selling for 90 cents a thousand.

Mr. MCMASTERS. I think so.

Mr. HILL. They were then free. A duty of 30 cents was put on them and the price is now, instead of $1.20, up to $1.50 and $1.60. What is the reason for the additional advance of 30 to 40 cents a thousand?

Mr. MCMASTERS. It is the same as in lumber. Conditions have changed. Timber is more expensive. Labor has advanced and supplies have advanced.

Mr. HILL. Is labor more expensive than it was ten years ago there?

Mr. MCMASTERS. Yes, sir; we pay more wages now than we did then.

Mr. HILL. Stumpage has gone up some?

Mr. MCMASTERS. Yes, sir; stumpage has gone up some.

Mr. RANDELL. You say it is a question of life and death with you there. If the United States had been looking out and had taken in the territory now occupied by British Columbia it would have ruined you people?

Mr. MCMASTERS. We would not have had our oriental labor.

Mr. RANDELL. It is oriental labor you have to compete with?

Mr. MCMASTERS. Yes. In British Columbia the orientals work for a good deal less in the shingle mills than we pay our men.

Mr. RANDELL. I thought you said it took educated labor for the shingle business? Why is it the cost of production of lumber in British Columbia is, as to labor cost, less than in the United States, and when you take shingles, which you say require educated labor, that there the labor costs more than in the United States? How do you account for that?

Mr. MCMASTERS. A Chinaman will pack a thousand shingles for less than an American.

Mr. RANDELL. I understood you to say that, as applied to the lumber industry, they can not compete?

Mr. MCMASTERS. I confined myself to shingles. I did not mention lumber. I came here to tell about the shingle industry. I want to tell you as nearly as I can why we can not compete.

Digitized by Google

Mr. RANDELL. Why is it the cost of labor is more in making lumber than it is in making shingles?

Mr. MCMASTERS. You mean just the reverse, do you not?

Mr. RANDELL. Why is the labor cost of lumber in British Columbia less than in the United States, and the labor cost in making shingles more in the United States than it is in British Columbia?

Mr. MCMASTERS. I do not know the cost of labor for making lumber is greater in British Columbia than it is in the United States.

Mr. RANDELL. That is not borne out by your knowledge of the conditions?

Mr. MCMASTERS. No, sir.

Mr. CLARK. Is the red cedar of Washington anything like the red cedar that grows in the Mississippi Valley?

Mr. MCMASTERS. I am not acquainted with the red cedar of the Mississippi Valley.

Mr. CLARK. Do you make the wood of lead pencils out of this red cedar of Washington?

Mr. MCMASTERS. No, sir.

Mr. CLARK. What is the reason you can not?

Mr. MCMASTERS. Possibly we could.

Mr. CLARK. The lead-pencil cedar seems to be a very peculiar product. The reason I ask that question is to suggest to you that if you can do it, you had better get at it. I read an elaborate statement not long ago in some one of these trade journals that the red cedar, out of which lead pencils is made or which is used in making lead pencils, is almost completely exhausted in the United States, and for that reason that they were advising some kind of manufactured article, or trying experiments to see if they could not make lead pencils from some other product. The red cedar which they use for that purpose is so completely exhausted in the United States that they have gone down into southern Missouri and bought up old fences that have been in use down there for twenty or thirty years and replaced them with the best woven-wire fences they could get in exchange for those old cedar rails. If you can make lead-pencil wood out of your cedar, you will find a new use for it. If you can put it to that use, why do you not get at it and study that question?

Mr. MCMASTERS. We will have to do so. I thank you for that suggestion.

Mr. CALDERHEAD. There is a great difference between the two cedars.

Mr. CLARK. What is the difference?

Mr. CALDERHEAD. The cedar which you mention grows too rapidly—that is, the Washington cedar.

Mr. CLARK. What difference does that make?

Mr. CALDERHEAD. It is coarse grained. The cedar in the Missouri Valley grows very slowly and is not coarse grained.

Digitized by Google

BOXES AND FURNITURE.

[Paragraphs 204, 205, and 208.]

THE ITALIAN CHAMBER OF COMMERCE, NEW YORK CITY, ASKS FOR THE REDUCTION OR REMOVAL OF ALL DUTIES FROM BOXES AND FURNITURE.

MONDAY, *November 30, 1908.*

The Italian Chamber of Commerce in New York respectfully submits to this honorable committee the following recommendations and arguments in favor of the removal or reduction of the present duties on the articles hereunto specified:

BOXES, BARRELS, OR OTHER ARTICLES MADE OF AMERICAN SHOOKS REIMPORTED FILLED WITH ORANGES AND LEMONS.

According to paragraph 205 of the present tariff boxes, barrels, or other articles containing oranges, lemons, and kindred citrus fruit pay a duty of 30 per cent advalorem, "*Provided*, That the thin wood, so called, comprising the sides, tops, and bottoms of orange and lemon boxes of the growth and manufacture of the United States, exported as orange and lemon box shooks, may be reimported in completed form, filled with oranges and lemons, by the payment of duty at one-half the rate imposed on similar boxes of entirely foreign growth and manufacture."

It seems to this chamber that to impose a duty of 15 per cent ad valorem on boxes or containers of American wood (Maine spruce) returning to the United States filled with oranges and lemons, instead of allowing free entry to such boxes or containers, is placing a tax on American export trade, which should be promoted by such facilities as are not only advisable but equitable.

During fiscal year 1907 the importation of such boxes or containers, made of American wood, into the United States represented a value of $109,088, upon which a paltry sum of $16,362 was realized in revenue. By exempting from such duty American shooks returning to the United States under the shape of boxes or containers, the loss to revenue would be insignificant, while an injustice would be removed which now hurts the exportation of American wood.

The boxes of American wood used in importing citrus fruit into this country do not represent by themselves, once emptied of their contents, any actual market value, as they are of no use and usually destroyed, which brings into greater evidence the injustice of subjecting such article to payment of duty.

As the principle of not taxing ordinary containers is recognized by the present tariff under other lines of importation, irrespective of their American or foreign origin, it is a manifest injustice to discriminate in the case of orange and lemon importations by taxing the containers besides the contents, and this chamber therefore recommends on motives of equity and consistency the removal of the present duty on boxes, barrels, and other containers of American wood returned to the United States filled with oranges, lemons, and kindred citrus fruit.

Digitized by Google

CABINET OR HOUSE FURNITURE.

The present rate of 35 per cent ad valorem on cabinet or house furniture (par. 208), the total importation of which did not exceed in fiscal year 1907 a value of $1,132,667, in which Italy figures for $113,851, Austria-Hungary for $237,982, France for $284,351, the United Kingdom for $383,108, appears to this chamber higher than necessary, both as a protective and revenue measure.

As to protection, under this line of manufacture there is hardly any need, because in no other country are the materials used in the making of furniture (wood, metals, varnish, glass, etc.) cheaper or as cheap as in the United States, which exports such materials in large quantities abroad, and gives this country a decided advantage over any of the above stated in this line of manufacture. This advantage is sufficient to compensate any difference in the cost of labor, which is also largely offset in this country by the application of machinery on a wider scale than abroad, enabling American manufacturers, who usually specialize in a given line of production and thus attain a high standard of proficiency, to turn out furniture in far greater quantities and much more cheaply than in foreign countries, where most of the work is still done by hand.

An analysis of the character of the furniture imported from the above-stated countries shows, what is besides already implied by the small entity of the contribution from each singular country, that the imported furniture is represented by specialties, for some of which each of them enjoys a traditional reputation, and which, through one reason or another, are either not manufactured or can not be manufactured in the United States.

It will be seen from the foregoing that not the slightest reason exists for fear of any possible competition to domestic production from the imported article. It appears instead desirable to facilitate the importation of such models and styles of artistic furniture as will enable American manufacturers to improve the style of their makes and to enter new fields of exploitation of the public taste in this line of goods. Hence this chamber recommends a reduction of the present high rates of duty on this line of manufactures.

Respectfully submitted.

ITALIAN CHAMBER OF COMMERCE IN NEW YORK,
E. MARIANI, *Vice-President.*
G. R. SCHROEDER, *Secretary.*

CHAIR CANE OR REEDS.

[Paragraphs 206 and 700.]

THE AMERICAN RATTAN AND REED MANUFACTURING COMPANY, BROOKLYN, N. Y., SUGGESTS A NEW CLASSIFICATION FOR RATTANS AND REEDS.

BROOKLYN, N. Y., *November 18, 1908.*

Chairman Committee on Ways and Means, Washington, D. C.

GENTLEMEN: The writer had intended to appear before your committee on behalf of the rattan industry, but finds that it is impossible for him to do so, and therefore begs to inclose our petition for a

Digitized by Google

tariff to be imposed, as under the present conditions there is very little relief, if any, afforded to this industry. All of which is respectfully submitted to your valued consideration.

Very truly, yours,

AMERICAN RATTAN AND REED MANUFACTURING CO.,
JOS. SALOMON, *Secretary.*

Chair cane, rattans, and reeds wrought and manufactured from rattans, as embraced in paragraph 206 of the present tariff, and also referring to paragraph 700 of the free list.

The merchandise or product involved is chair cane and reeds, such reeds being originally manufactured from rattan. We would suggest that these items should be taken out of the present paragraph 206 and a new paragraph, for example, 207, be created for these items only, and which would read as follows:

All reeds, manufactured from rattan or reeds, such reeds being originally manufactured from rattan, to be dutiable as follows: Up to and including one-tenth inch diameter, a duty of 15 cents per pound; over one-tenth inch diameter and not exceeding one-fourth inch diameter, a duty of 5 cents per pound; over and above one-fourth inch diameter, a duty of 3½ cents per pound; flat and oval reed, a duty of 10 cents per pound; woven reed, a duty of 20 cents per pound.

Chair cane, as wrought or manufactured from rattans, to be dutiable as follows: Up to and including three-sixteenth inch width, 20 cents per pound; wider than three-sixteenth inch width, 10 cents per pound.

Woven rattan, a duty of 50 cents per pound.

The present tariff, 1897, imposes a duty of 10 per cent on all the above-mentioned items excepting woven reed and woven rattan, which are not enumerated, and besides the above, reeds wrought and manufactured from rattan, and which are one-fourth inch diameter and over are now allowed to come in free of all duty.

It is self-evident that the present tariff affords really no protection to the rattan industry of the United States, but rather seems to encourage the foreign rattan industry, as the foreign product can be placed in this market with hardly any duty whatsoever, and with the enjoyment of very low freight rates, coupled with the cheap German and Chinese labor which the foreign factories enjoy, allow them easily to place their product in this market and undersell us.

If afforded proper relief and protection from this cheap Chinese and German labor and also other conditions which they enjoy and which allow them to place their product in this market and undersell us, we feel confident that the rattan industry in the States will quickly develop into a very important branch of trade.

In the present tariff, paragraph 700 of the free list, as far as it relates to this industry, reads as follows:

Bamboo, rattan, reeds unmanufactured, etc., and other woods not specially provided for in this act, in the rough, or not further advanced than cut into lengths suitable for sticks for umbrellas, parasols, sunshades, whips, fishing rods, or walking canes.

At present and for some time past, "reeds wrought and manufactured from rattan" and which are one-fourth inch diameter and over are allowed to come to this port free of all duty, as it is claimed that this is the class of stock which are "reeds unmanufactured," which is certainly an error and a great injustice to us. We main-

Digitized by Google

tain that reeds unmanufactured, is a reed which owes its creation to natural growth, and not to any course of manufacture. This is evidenced by sample we hand you marked No. 1. The accepted meaning of the word "reed" is, an aquatic plant or large grass with hollow jointed stems, similar to bamboo species, and which is fully evidenced by sample No. 1.

This rattan reed, which is allowed to come in free of duty, owes its existence in creation by being manufactured from the rattan stick. This rattan stick is subjected to a process of sorting, cleansing, splitting, dressing, etc., which necessitates a considerable amount of hand labor, and when the enamel of the rattan is taken off, the pith of the rattan, or the reed, is the product, as is evidenced by sample No. 2 herewith submitted, and the production of this rattan reed is attended with as much labor and expense, etc., as the production of chair cane, and which chair cane is on the dutiable list.

This paragraph 700 of the free list, as far as it relates to rattan, reeds, etc., is in direct contradiction to paragraph 206, which latter paragraph distinctly reads: "Chair cane or reeds, wrought or manufactured from rattans or reeds, 10 per cent ad valorem." And in opposition to this the authorities allow reeds wrought and manufactured from rattan or reeds from one-fourth inch diameter and upward to come in free, according to what they claim under paragraph of the free list, "Reeds, unmanufactured."

We are confident that you will readily agree with us that this is totally wrong, as paragraph 700 intends raw material of reed nature to be admitted free of duty. Then we would suggest that the words "Reeds, unmanufactured," be expunged from such paragraph, and instead there should be inserted "Natural-growth reed," as we feel that it was not the intent of Congress to allow a manufactured product of this nature to be free of all duty, but simply to apply to a natural growth and raw article.

The importation of raw material into Germany and the Chinese Empire is about five times the quantity that is imported into this country, whereas if this industry was afforded proper protection against this European and Chinese labor we would be enabled to increase this industry considerably and employ many more people.

We know of no country excepting England that would allow us to send these reeds into their dominion that does not have a heavy protective tariff to protect their own industries, especially so Germany, who protect their manufacturers and who ship this stock here almost free of all duty because we allow it; and in Germany they charge a duty at so much per kilo, or on the weight basis, such as we request, and which we consider is the proper way.

We are quite confident that after your committee has thoroughly considered this petition that you will recognize that a proper tariff should be afforded this industry.

We have not entered into any argument regarding the cheap Chinese and German labor which our foreign competitors enjoy, as against the high-priced labor which we are compelled to pay here in America, as we feel that you are fully acquainted with such facts, all of which is respectfully submitted.

We are also inclosing a sample of rattan, raw material, so you will find herewith three samples. Sample No. 1 shows the natural-growth reed. Sample No. 2 shows the reed as manufactured from rattan,

Digitized by Google

and which is taken from the heart of the rattan stick. Sample No. 3 shows the rattan or raw material in the original state. All of which is respectfully submitted for your valued consideration.

Very truly, yours,

AMERICAN RATTAN AND REED MANUFACTURING COMPANY,
JAS. SALOMON, *Secretary.*

P. DERBY & CO., GARDNER, MASS., RECOMMEND AN INCREASE IN THE DUTY ON CHAIR CANE AND REEDS.

GARDNER, MASS., *November 19, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.

DEAR SIR: We understand the question of revising the tariff will soon come up for consideration before your committee, and suppose they will consider at that time the tariff on chair cane, rattans, and reeds. We think there should be a duty of at least 33⅓ per cent ad valorem on cane and reeds, also on manufactured reeds in any form, namely, reed webbing, flat and oval reeds, in order to allow us to compete with the German and Chinese manufacturers of this line. The laws enacted in 1897 practically afford no protection to the manufacturers of the United States, but protect the German and Chinese manufacturers, who are sending in this material in large quantities. We also think that rattans should remain on the free list, as this is the product from which the United States manufacturers obtain cane and reeds.

Yours, respectfully,

P. DERBY & CO.,
Per ARTHUR P. DERBY, *President.*

THE OTTO GERDAU COMPANY, NEW YORK CITY, ASKS FOR RETENTION OF PRESENT CLASSIFICATION OF CHAIR CANE, REEDS, AND WHIP REEDS.

NEW YORK, *November 30, 1908.*

Hon. SERENO E. PAYNE,
Chairman of the Committee on Ways and Means,
Washington, D. C.

DEAR SIR: We heard that Mr. Lang, formerly of the Wakefield Rattan Company, but since their merger with the Heywood Bros. & Co., now of the Heywood Bros. & Wakefield Company, or Mr. Salomon of the American Rattan and Reed Manufacturing Company, intended to appear before you to repeat their former efforts to have the duty increased on chair cane or reeds now covered by paragraph 206, and on whip reeds now covered in the free list by paragraph 700, and therefore asked permission of you to confront them, but as we learned on our visit to Washington on November 20, the day set apart for this article, that they finally decided to address you on the subject in the form of a brief only, we follow your suggestion and do the same.

Digitized by Google

When the tariff of 1890 was revised, the same effort was made by these gentlemen and their allied interest, and the subject of rattans and reeds was thoroughly looked into by the Committee on Ways and Means of which the then Hon. McKinley was chairman, but the result of its deliberation was that no change was made and chair cane or reeds remained 10 per cent (par. 229) and whip reeds free (par. 756). In hearings before the Committee on Ways and Means, Fifty-first Congress, first session, pages 760–777, you will find the entire testimony on this subject and on the combination then existing in chair cane and reeds.

When the tariff of 1894 was revised, the whole ground was once more gone over and again no change was made. (See pars. 179 and 684.)

On December 31, 1896, these same gentlemen made the ridiculous demand for a specific duty of 5 cents and 10 cents per pound on the several manufactures of rattans and reeds, which as shown by the testimony then rendered would make the duty on some kinds as high as 500 per cent, and the conclusion arrived at was again that the duty on these articles ought not to be advanced beyond the McKinley rate and it was covered by paragraph 206, chair cane or reeds, wrought or manufactured from rattans or reeds, 10 per cent ad valorem; paragraph 700, rattan and reeds unmanufactured or not further advanced than cut into length suitable for whips, free.

We have been told that either Mr. Lang or Mr. Salomon will try to confuse your committee by claiming that there is no difference between manufactured and unmanufactured reeds; that therefore either the above paragraph 206 or paragraph 700 is wrong, and that the different Congresses meant by unmanufactured reeds the reeds growing in this country in swamps.

Such testimony would not lead astray anyone in the trade, but as it may mislead outsiders, we beg to explain that an unmanufactured reed is the round core or residue of rattan after the outer enamel or chair cane has been separated from it by a machine in one operation, thus leaving the reed in its natural round state. When, however, this round reed is worked into other reeds, such as oval, square, flat, half round, etc., it becomes a reed manufactured, or a reed manufactured from a reed, and that all the different Congresses knew very well what they were about and that they meant round whip reeds to be free of duty, because all the American whip manufacturers are absolutely depending upon them for their raw material as per their appeals in the hearings of the Fifty-first Congress, first session, pages 762 and 764, is evidenced by the fact that to the words "Rattan and reeds unmanufactured" were always joined the words "or not further advanced than cut into length suitable for whips," and whip manufacturers do not use such reeds as the rattan combination has several times attempted to make it appear.

On the other hand, chair cane and reeds manufactured are needed by the manufacturers of chairs, baby carriages, harnesses, brooms, hats, demijohns, baskets, etc., as per their testimony rendered in the hearings mentioned above on pages 760–766, and any increase of duty would absolutely prohibit the importation. If furthermore it is considered that these different industries employ thousands of hands, while the manufacture of chair cane and reeds by automatic machinery needs so few hands that the rattan combination, according to

Digitized by Google

their own testimony in the hearings before the Committee on Ways and Means of the Fifty-first Congress, page 770, employs for that purpose only 100, it is plain that it is not at all a question of protection to American labor, but an effort of a few rattan manufacturers to obtain a monopoly of all the branches into which their products enter, and all manufacturers throughout the United States of whips, chairs, baby carriages, harnesses, brooms, hats, demijohns, baskets, etc., would be at the mercy of the rattan combination.

The labor involved in producing the chair cane is at any rate a most trifling one in any country, because chair cane and reed is simply the rattan split by automatic machinery, and the best proof for the truth of this is furnished by the fact that the rattan combination also exports chair cane to Germany.

The chair cane thus obtained is worked into webbing, as per sample herewith, and it is to this webbing that we wish to draw your particular attention. It is woven entirely by machinery and the cost of weaving it is therefore also trifling. However, this chair-cane webbing is not specially provided for in our present tariff and as in consequence 20 per cent would very likely be levied on it as an unenumerated manufactured article. Not any of it has ever been imported and you will see from inclosed price lists of the associated manufacturers that there is now also a combination existing for this article. [Price lists on file with committee.]

This is a plain statement of facts, which we shall always be pleased to verify on oath and on the stand, and we trust that you will reduce the duty on chair cane or reeds manufactured to 5 per cent, leave rattan and reeds unmanufactured or not further advanced than cut into lengths suitable for whips free, and provide for chair cane or reed webbing at 10 per cent.

Yours, very respectfully,

THE OTTO GERDAU CO.,
OTTO GERDAU, *President.*

THE RATTAN AND CANE COMPANY, OF NEW YORK CITY, PROTESTS AGAINST THE SUGGESTED INCREASE IN DUTIES ON CHAIR CANE AND REEDS.

NEW YORK, *December 3, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
House of Representatives, Washington, D. C.

SIR: Replying to the petition of the American Rattan and Reed Manufacturing Company, asking for an increase in the duty on reeds, etc., we beg to say that the tariff changes recommended by said company if incorporated in the proposed new tariff would make the importation of chair cane and reeds absolutely prohibitive and would necessarily stop all importations, thereby giving to the above-named company with about five other manufacturing concerns a monopoly, also depriving the Government of revenue, also at the expense of hundreds of American manufacturers who employ thousands of hands in the manufacture of whips, chairs, baskets, carriages, baby carriages, hats, harness, corsets, and demijohns, etc.

The raw products used by these manufacturers are the so-called rattans and reeds now before your committee.

Digitized by Google

This industry needs no protection because the manufacturers are all doing a fine and growing business and considered among the trade as being very prosperous; they offer us sharp competition in all lines.

It is a well-known fact that the American Rattan and Reed Manufacturing Company, in addition to their domestic business, have maintained for the past ten years a selling agency at Hamburg, Germany, exporting and selling their products (including chair cane), competing with the so-called cheap German labor, plus the ocean freight and duty assessed by the German customs.

The American manufacturers as a whole are certainly satisfied with the present tariff, otherwise your committee would have heard more than one complaint.

It is also well known that the manipulation of the rattan and reed is done by machines working automatically and does not require skilled labor; in fact the cheapest kind of foreign labor is employed by the said company. The labor employed in all branches of the rattan industry is a very small matter; this, combined with the perfected American machinery, puts them in a position to compete with the world under existing conditions.

The contention made by the American Rattan and Reed Manufacturing Company that paragraph 700 of the present tariff act, as far as it relates to "rattan and reeds," etc., is in direct contradiction to paragraph 206, is absolutely untrue, because paragraph 206 particularly provides for "chair cane or reeds, wrought or manufactured from rattans or reeds, 10 per cent ad valorem," while paragraph 700 provides "rattans and reeds not specially provided for in this act, in the rough, or not further advanced than cut into suitable lengths for sticks for umbrellas, parasols, sunshades, whips, fishing rods, or walking canes, "free." It is well understood by the manufacturers of whips who appeared before your committee in the 1897 tariff hearing that whip reeds would be admitted free of duty; notwithstanding this the said company had the customs authorities assess whip reeds at 10 per cent duty, which question was brought up before the United States court, where it was decided paragraph 700 fully covered whip reeds. These decisions were acquiesced in by the Treasury Department. (See Synopsis, 4949, 11586, 19195.)

The amount of labor necessary to produce reeds is extremely small. It is a simple process of feeding the rattan into machines which automatically split the same, taking off the outside bark, which is called the chair cane; the remainder is the round pith or reed, used as the raw product by various manufacturers, as we said before. We submit sample No. 1, showing a piece of rattan having been put partly through a machine, no other labor being necessary. The statement made by the American Rattan and Reed Manufacturing Company that round reeds require as much labor as chair cane is not true, because nothing whatever is done to the round reed after the chair cane has been taken from the rattan, but the chair cane has to be shaved by another machine and bleached as per sample No. 2, submitted herewith.

While we import chair cane and reeds we manufacture reed and chair cane or cane webbing in this country. Being nonenumerated articles, they would be assessed at 20 per cent ad valorem. We, however, make no plea on these articles one way or another, because nothing is imported, but if your committee wishes to reduce the duty to 10 or 15 per cent we think we should be sufficiently protected.

The following comparison will clearly show the absurdity of the contention made by the American Rattan and Reed Manufacturing Company:

Round reeds up to one-tenth inch diameter, now paying 10 per cent, at 15 cents per pound would equal 43 to 60 per cent.

Round reeds, from one-tenth to one-fourth inch diameter, now paying 10 per cent, at 5 cents per pound would equal 25 to 59 per cent.

Whip reeds over one-fourth inch diameter, now free, at 3½ cents per pound would equal 33 to 44 per cent.

Flat reeds, now paying 10 per cent, at 10 cents per pound would equal 71 per cent.

Oval, prime quality, now paying 10 per cent, at 10 cents per pound would equal 95 per cent.

Ovals, second quality, now paying 10 per cent, at 10 cents per pound would equal 133 per cent.

Chair cane up to three-sixteenths inch wide, now paying 10 per cent, at 20 cents per pound would equal 66 to 300 per cent.

Chair cane wider than three-sixteenths inch, now paying 10 per cent, at 10 cents per pound would equal 731 per cent.

Reed webbing, not enumerated, paying 20 per cent, at 20 cents, 66 per cent.

Chair-cane webbing, not enumerated, paying 20 per cent, at 50 cents, 66 per cent.

Your committee will see from the above figures that if you concur in the demands of the American Rattan and Reed Manufacturing Company the duty would be prohibitive. The change asked for would be protection with a vengeance, particularly if you consider the goods in question to be practically a raw product. In conclusion, we beg to call your attention to the claim made by domestic manufacturers at former tariff hearings that the importation of chair cane and reeds from China with cheap Chinese labor was a great drawback to the American industry. We beg to say that this statement is not founded on facts; on the contrary, chair cane is not imported from China at all, and the only reeds imported from China are small lots of a very inferior grade, made by hand, and used principally in this country in the manufacture of brooms. We do not import or handle the China product whatsoever.

We would suggest, therefore, that whip reeds, as heretofore, be particularly and specially provided for under the new tariff act free of duty, and that all other reeds or chair cane manufactured from rattan or reeds be reduced to 5 per cent ad valorem, as provided for in paragraph 206 in the present act.

Respectfully submitted.

RATTAN AND CANE COMPANY,
FOPPES & WANRECKE, *Proprietors.*

THE WHIP MANUFACTURERS OF THE UNITED STATES OPPOSE THE IMPOSITION OF DUTY ON WHIP REEDS.

WESTFIELD, MASS., *December 7, 1908.*

Hon. SERENO E. PAYNE,
Chairman of the Committee on Ways and Means,
Washington, D. C.

DEAR SIR: We, the whip manufacturers of the United States, desire to enter our strongest protest against the proposition presented to your honorable committee by certain reed manufacturers of the United States to have a duty placed on whip reeds and rattan, making it

Digitized by Google

appear to you that we use in the manufacture of our goods swamp reeds, which is positively not true, and it would not be possible to use them in our business. Rattan and reed are the principal products used in the manufacture of whips; in fact, are the base which have to be used on all of the whips, and with a duty placed upon them it would cause us a great hardship and a loss in the manufacture of our goods, and would place us where we would not be in a position to compete with the foreign markets, which have all of the latest improved whip machinery with which to manufacture our goods. With the handicap that we have had in our business in the last few years on account of bicycles, electric cars, and automobiles under which we have struggled it would simply be disaster to go at this day and place a tariff on our principal raw material.

We therefore urgently request of you to leave whip reeds in the free list, provided for as heretofore (rattan and reeds unmanufactured or not further advanced than cut into lengths suitable for whips), and are,

Yours, very respectfully,

New England Whip Company, D. F. Doherty, Treasurer; United States Whip Company, Geo. E. Whipple, President; Independent Whip Company, H. E. Cowles, Vice-President; H. M. Van Deusen Whip Company; Horse Whip Company, Chas. J. Bradley, Treasurer; F. P. Couse & Son; L. H. Beals & Son, L. H. Beals, President; C. A. Hastings, Tyler, Superintendent; Steimer & Moore Whip Company, L. W. Steimer, President; A. J. Cook Whip Company, A. J. Cook, Proprietor; Standard Whip Company, J. C. McCarthy, President.

EDWARD BENNÈCHE & BRO., NEW YORK CITY, URGE THAT THERE BE NO INCREASE IN DUTY ON RATTAN AND REEDS.

NEW YORK, *December 18, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
House of Representatives.

SIR: As we understand, the American Rattan and Reed Manufacturing Company, of Brooklyn, and the Heywood Brothers & Wakefield Company, of Gardner, Mass., are applying to your honorable body for a considerable increase of the duty on reeds cut from rattan, covered by paragraphs 206 and 700 of the present tariff.

Being largely interested in the importation of this article, we beg to protest against any such increase of duty, for the following reasons:

The article in question in its crude state is rattan, which comes from Singapore, the Dutch East Indies, etc. From this rattan, by a simple process and at one cut, the bark is split off, which bark makes the chair cane, nearly all of which is manufactured in this country, but what little comes from Germany pays a duty of 10 per cent ad valorem. This rate of duty, in our opinion, is correct and should not be altered.

Digitized by Google

The material left after the bark has been stripped off is, in the trade, called "reed," which now pays a duty of 10 per cent ad valorem for sizes up to and including 6½ millimeters (see par. 206), and is free of duty for sizes from 7 millimeters up, as being suitable for whips (see par. 700). Any reed recut into flat, oval, split reed, and the like pays 10 per cent.

We are decidedly of the opinion that the present duty is correct and that no change should be made.

The increase in duty asked for by the above two firms, viz, 5 to 10 cents per pound weight, is simply ridiculous, as it would mean on some of the articles involved a duty of 100 per cent and more; but any increase, however small, would be entirely out of place, as its effect would only be to enrich these two firms, with a few workmen employed for the specific work of cutting rattan, at the expense of the many manufacturers of whips, reed chairs, baby carriages, reed furniture, etc., their millions of capital, and their thousands of workmen depending for their living upon the importation of this crude or semicrude material at a reasonable rate of duty.

In cutting rattan the yield of chair cane is about two-thirds of the value of the manufactured articles, consequently no factory can afford to cut more rattan than it can sell chair cane. At present the American factories are cutting all the chair cane needed in this country, the importation of German chair cane, owing to its poor quality, being exceedingly light. This practically gives to the American factories a monopoly of the trade in chair cane, or, in other words, of already two-thirds of the value of the manufactured rattan product.

A claim for protection of their industry on part of the two above applicants is entirely out of place, since within the last ten years, and probably a good deal longer, they have met with a wonderful financial success. Within the last four or five years they had, as we are informed, an understanding to hold up the price of chair cane at a figure which must have left them a profit not far from 100 per cent. All this without danger from foreign competition, since chair cane made abroad is an article of inferior quality, which can be used to a very small extent only for American purposes, the demand for same in fact being so light that we do not think it worth our while to handle it.

The effect of a high duty, such as asked for, would simply be this: The American Rattan and Reed Manufacturing Company would go on cutting as much reed as their sale of chair cane would permit, and would thus be able to supply only a small percentage of the reed goods manufacturers with reed, say 10 to 15 per cent, while the Heywood Brothers & Wakefield Company would cut just enough reed for their own manufacturing, and thus 85 to 90 per cent of the present manufacturers of reed goods, with all their invested large capital and their thousands of workmen, would be driven out of the business.

Thus a higher rate of duty would benefit only these two parties to the detriment of the trade in general, while new factories for the cutting of rattan can not be started, because already as much chair cane is being cut in this country as can be used. Consequently there will not be sufficient reed to supply the other manufacturers of reed goods, unless same is imported and allowed to come in at the present reasonable rate of duty.

Digitized by Google

The Heywood Brothers & Wakefield Company are not only cutters of rattan, which means manufacturers of chair cane and reed, but they are principally manufacturers of reed goods such as reed chairs, baby carriages, and reed furniture. Thus of course it would be a great gain for them, by means of an excessive duty, to drive all other manufacturers of reed goods out of the market. We inclose a list of some of the other manufacturers of reed goods in different parts of the country; and if you will take the trouble to inquire of them, you will no doubt find that they find our views correct and that they will urge you to accept them and to decline to increase the present rate of duty even to the smallest extent. As stated above, they are with their business, their capital, and their thousands of workmen dependent upon a supply of reed, which can be brought into this country at a rate of duty not exceeding the present rate.

Respectfully submitted.

EDWARD BENNÈCHE & BRO., *Importers.*

EXHIBIT A.

Manufacturers of reed chairs, baby carriages, and reed furniture.

American Baby Carriage Company, Minneapolis, Minn.
Bay State Chair Company, New Bedford, Mass.
Bishop & Dickinson, Baldwinsville, Mass.
Canada Furniture Manufacturers (Limited), Toronto, Ontario, Canada.
Capital Rattan Company, Indianapolis, Ind.
Carriage and Toy Company, Baltimore, Md.
P. Derby & Co., Gardner, Mass.
J. A. Dickerman, Gardner, Mass.
Durfee Embalming Fluid Company, Grand Rapids, Mich.
John A. Dunn Company, Gardner, Mass.
A. Eggers & Sons, St. Louis, Mo.
Garton Toy Company, Sheboygan, Mich.
Garrett Go Cart Company, Chicago, Ill.
Gendron Wheel Company, Toledo, Ohio.
Germania Basket Company, New York.
Gendron Manufacturing Company, Toronto, Ontario, Canada.
C. H. Hartshorn, Gardner, Mass.
Hechinger Brothers & Co., Baltimore, Md.
Imperial Rattan Company (Limited), Walkerville, Ontario, Canada.
W. L. Jackson, Baltimore, Md.
Jacob Kaiser Manufacturing Company, St. Louis, Mo.
Kelly Brothers, Gardner, Mass.
Kinley Manufacturing Company, Chicago, Ill.
Michigan Buggy Company, Kalamazoo, Mich.
Murphy Chair Company, Detroit, Mich.
National Carriage and Reed Company, Cincinnati, Ohio.
New England Reed Company, Boston, Mass.
Newburgh Reed Company, Newburgh, N. Y.
Omaha Reed and Rattan Manufacturing Company, Omaha, Nebr.
E. F. Pahl & Co., Milwaukee, Wis.
F. Parthier, Chicago, Ill.
Pioneer Manufacturing Company, Detroit, Mich.
Philadelphia Baby Carriage Factory, Philadelphia, Pa.
Rattan Manufacturing Company, New Haven, Conn.
L. B. Ramsdell Company, Gardner, Mass.
Rich Brothers, Baltimore, Md.
St. Louis Rattan Company, St. Louis, Mo.
South Bend Toy Manufacturing Company, South Bend, Ind.

Digitized by Google

H. N. Thayer & Son, Erie, Pa.
Gero. W. Travers, East Templeton, Mass.
Peter A. Wagner, Philadelphia, Pa.
F. A. Whitney Carriage Company, Leominster, Mass.
W. F. Whitney & Co., South Ashburnham, Mass.

Manufacturers of whips.

American Whip Company, Westfield, Mass.
E. L. Beals & Son, Westfield, Mass.
Cargill, Cleveland & Co., Westfield, Mass.
Davis Whip Company, Tippecanoe City, Ohio.
Horse Whip Company, Springfield, Mass.
Tipp Whip Company, Tippecanoe City, Ohio.
United States Whip Company, Westfield, Mass.
H. M. Van Deusen Whip Company, Westfield, Mass.
Independent Whip Company, Westfield, Mass.
Wells Whip Company, Wellsville, Pa.

THE FISCHER CHAIR COMPANY, TELL CITY, IND., THINKS CHAIR CANE SHOULD BE PUT ON FREE LIST.

TELL CITY, IND., *January 4, 1909.*

WAYS AND MEANS COMMITTEE,
House of Representatives, Washington, D. C.

GENTLEMEN: Although I have not been requested to give my ideas about matters concerning our industry, still I feel that it is a matter of right and justice that your honorable body in framing the new tariff law should take into consideration the requests made by manufacturers. I am engaged in the exclusive manufacture of double cane chairs, and the chair cane that we use is most of it imported; in fact, the raw material is all raised abroad.

If I have the right idea of tariff, it was originally intended to protect the infant industries and there was to be some limit to this protection.

I am a Republican, but I believe that manufacturers are not to be hampered by a duty placed on any material necessary in manufacturing their goods. I am not asking any tariff on the finished chairs. As far as my firm is concerned we would be willing to have the manufactured chairs placed on the free list.

A 10 per cent ad valorem tax on chair cane is an unnecessary burden and a tax to our institution, and this tax ought to be repealed and the chair cane placed on the free list.

Trusting that you will give this your earnest consideration, I remain,

Yours, very truly,

THE FISCHER CHAIR COMPANY,
Manufacturers of Cane and Splint Bottom Chairs,
By ADOLPH ZUELLY, *President.*

Digitized by Google

THE CHAIR MAKERS' UNION, TELL CITY, IND., URGES REMOVAL OF ALL DUTY FROM CHAIR CANE.

TELL CITY, IND., *January 2, 1908.*

WAYS AND MEANS COMMITTEE,
House of Representatives, Washington, D. C.

GENTLEMEN: From the daily press we have seen that you have had hearings on the question of tariff taxation, and we wish to call your attention to the tariff on chair cane and reeds. None of this is produced in this country, but is all imported. Some of it is imported in the raw material and then manufactured. There is no tariff on the raw material, and it is therefore imported, but only to a very small extent.

The provision for the unmanufactured rattan and reeds is in paragraph 700 of the present tariff law. That for the manufactured chair cane and reeds is paragraph 206; an ad valorem of 10 per cent is charged on this.

We are the largest double cane manufacturers in the United States, and we believe in the world, and we feel that this 10 per cent ad valorum duty on chair cane is an unnecessary and unjust burden to our industry. We do not ask any protection whatever for our products; all we ask is that no extra burden be imposed upon the material that is used by us in the manufacture of our chairs, and we kindly ask you to add item No. 206 to the free list, or make a very material deduction in the same. Our honest opinion is that it ought to be on the free list.

If there is any further information desired, we will be glad to give it.

Respectfully, yours, CHAIR MAKERS' UNION,
By JACOB ZOERCHER, *Secretary.*

REED LATHING.

R. H. SAWYER, OF MALDEN, MASS., ASKS FOR PROTECTION FOR LATHING MADE OF REEDS AND WIRE.

THURSDAY, *November 19, 1908.*

Mr. SAWYER. I am here representing the Goodall Matting Company, of Kennebunk, Me., who weave matting for floors. The Agricultural Department within the last year or more has been trying to get us interested in the manufacture of a reed lathing, the reed that grows in the swamps in different places, about as large as your finger. To weave this into matting that can be nailed on the wall in place of wooden laths is the object. This is done in Germany and Sweden to a great extent. I have a sample here. It is at the instigation of the Agricultural Department that we are trying this experiment. I will now exhibit to you a sample of the proposed lathing.

The CHAIRMAN. That is to take the place of wire lath?

Mr. SAWYER. The ordinary wooden lath or wire lath, either one; yes, sir.

This will cost less and will use up some of the waste land products, as may be determined from this photograph showing how it grows,

The CHAIRMAN. Has this been tested?

Digitized by Google

Mr. SAWYER. Yes, sir; and has been used for hundreds of years in England, Sweden, and Germany to a large extent.

The CHAIRMAN. Tell us, if you have gone so long without protection, why you need it now?

Mr. SAWYER. It has never been made in this country. The lathings they make in Sweden and in Germany would never be used in this country. We have taken pains to have some imported through our ministers or consuls in Germany and Sweden, and it is so open our masons would not use it. We have been working on the matter about a year, and we have invented a machine that will make it as you see it before you now.

Mr. DALZELL. That will keep better than wooden laths?

Mr. SAWYER. Yes, sir; taking the place of wooden laths on the wall.

Mr. CLARK. Is it cheaper?

Mr. SAWYER. Yes, sir.

Mr. DALZELL. Where does this cane come from?

Mr. SAWYER. This came from on the Patuxent River, Maryland.

The CHAIRMAN. Could this be imported?

Mr. SAWYER. Yes, sir.

The CHAIRMAN. Is there any of this imported now?

Mr. SAWYER. No, sir.

The CHAIRMAN. There never has been?

Mr. SAWYER. No, sir; there never has been.

The CHAIRMAN. How long have you been making this?

Mr. SAWYER. We have not made any yet, except sample lots of a few yards.

The CHAIRMAN. It never has been made in this country?

Mr. SAWYER. No, sir.

The CHAIRMAN. Where did you say they made it so long?

Mr. SAWYER. In Germany and Sweden.

The CHAIRMAN. And they did not even bring it into this country when there was none made here?

Mr. SAWYER. No, sir. We would not use the reed matting they make.

Mr. DALZELL. You say you would not use theirs?

Mr. SAWYER. No, sir.

Mr. DALZELL. Then why do you need any protection?

Mr. SAWYER. Because as soon as we commence to make this, and they see how good it is, they will copy our machines and make it over there and bring it in.

The CHAIRMAN. How much does it cost a square yard?

Mr. SAWYER. About 6½ cents a square yard.

Mr. CLARK. Referring to the material out of which that is made, where can it be grown in the United States?

Mr. SAWYER. It is grown in almost all the fresh-water rivers and swamps. Great areas of it you can see on almost all the rivers as far north as Winnipeg.

Mr. CLARK. How far south?

Mr. SAWYER. As far south as New Orleans.

Mr. CLARK. It would not grow in the Central West?

Mr. SAWYER. Yes, sir. One of the largest fields we now know of is at Sandusky, Ohio. The Agricultural Department is now exploring to locate the large areas of this reed.

Mr. CLARK. Do you have to raise it?

Digitized by Google

Mr. SAWYER. No, sir; it grows naturally. It grows on swamp and river banks.

Mr. RANDELL. Is it what you call canebrakes?

Mr. SAWYER. No, sir. The name of it is *Phragmites communis.*

Mr. DALZELL. When cut down does it reproduce itself?

Mr. SAWYER. Yes, sir. When it is cut down it comes up the next year just the same; burn it over and it comes up next year from roots.

The CHAIRMAN. How much do you have invested in a plant?

Mr. SAWYER. One loom would probably cost $200, and we want to run 100 looms. There was something like $19,000,000 paid out for laths in 1906.

The CHAIRMAN. How much could a loom costing $200 make in a day?

Mr. SAWYER. We could make 100 yards in a day on a loom.

The CHAIRMAN. How many people are required to run the loom?

Mr. SAWYER. Two—two girls.

The CHAIRMAN. Does this loom have to be run by men or women?

Mr. SAWYER. There have to be some men around the mills, but girls could feed it into the loom.

The CHAIRMAN. It is a pretty bulky article for freight.

Mr. SAWYER. Yes, sir; but very light—bulky, but light. This matting can be put on with 45 per cent less nails, and can be plastered, by the experiments carried on under the Agricultural Department, with 11 per cent less plaster, and obtain the same result as you would from ordinary laths. Some masons say 25 per cent less plaster than on laths.

Mr. CLARK. Has anybody ever tried it long enough to know whether plaster would stick on any length of time?

Mr. SAWYER. A building in London that had been plastered nearly two hundred years ago was being repaired—that is, the plastering was taken off—and the reed lathing was so good under it that they immediately replastered over it.

Mr. CLARK. If that is true and they can plaster in London with this European matting——

Mr. SAWYER. Not matting. They use reeds that they have been putting on without weaving as long ago as that. The first machine to make this matting was patented in Germany in 1883.

Mr. CLARK. If these Germans and Englishmen and the rest of them use this stuff as it is made over there, what is the reason our plasterers will not use it, too?

Mr. SAWYER. It is not good enough for us. It is too poor—open and slimsy.

Mr. DALZELL. Will it make a solid wall on studding 16 inches apart?

Mr. SAWYER. Yes, sir. Those wires are 8 inches apart, and every 16 inches you will nail right through the wires.

Mr. DALZELL. The same as you would lath?

Mr. SAWYER. Yes, sir; and it makes a good lathing. The strength has been thoroughly tested, and it is plenty strong enough.

Mr. CLARK. How does it compare with lath in cost?

Mr. SAWYER. In cost?

Mr. CLARK. Yes.

Mr. SAWYER. Laths will cost 8 cents, where this costs 6½ cents to make. We shall probably sell this for 8 cents, against laths at 10 cents.

Digitized by Google

Mr. CLARK. If you had a tariff on, you would put it at 10 cents?

Mr. SAWYER. No, sir. We want to use that product which is now thrown away and of no use. It belongs to the farmers, and it costs them nothing except the gathering of it. If we can use it, they can sell it to us. If we can not use it, I do not know what they will do with it. They never have done anything with it. I do not know that they ever can do anything with it.

The CHAIRMAN. What is it called in the commercial world?

Mr. SAWYER. That is called *Phragmites communis* reed.

Mr. DALZELL. What do you call this product?

Mr. SAWYER. We shall call that reed lathing.

Mr. DALZELL. And what duty do you want on it?

Mr. SAWYER. We want 3 cents a square yard. In other words, it is a new product and a new industry, and we want it listed; we want a specific duty put on it, not an ad valorem, but so much a square yard, because everybody knows what a square yard is. We want a duty of 3 cents a square yard. That is no more than the duty assessed on Chinese matting, that costs 5 or 6 cents to make, or even 3 cents. That matting, coming to this country from Japan or from China, pays 3 cents a yard duty if it costs less than 10 cents a square yard. This costs less than 10 cents a yard. We ask that this be put on the same basis, of 3 cents a square yard.

Mr. DALZELL. Is this made at Kennebunk, Me.?

Mr. SAWYER. No, sir.

Mr. DALZELL. Is that where you propose to have your factory?

Mr. SAWYER. It is where we propose to have one of them, but in order to make it cheap enough and enable us to sell it we shall have to put our factories where the reeds grow. In other words, there is a large area near Sandusky, Ohio, and we shall have to put a mill there.

Mr. DALZELL. Does not this grow along the Kennebec River?

Mr. SAWYER. No, sir; not at all. The nearest we know of is near Washington. I was down yesterday and contracted for the first carload of the reeds that ever was cut, and I contracted for a thousand bundles for $100. I could not quite make the man see that he could do it for that, so I said, "Get out a thousand bundles," and I left the $100 there with another party. I said to him, "If it costs you more than that to get it out, I will pay the difference."

I think that is all I have to say, and I am very much obliged to you.

WILLOWS.

[Paragraph 206.]

LIVERPOOL, N. Y., PRODUCERS OF WILLOWS URGE AN INCREASE OF DUTY ON WILLOWS AND OSIERS.

LIVERPOOL, N. Y., *November 16, 1908.*

Hon. SERENO E. PAYNE, M. C.,
Chairman of Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR SIR: In this inclosure we present our plea for better conditions in regard to the tariff on willow baskets than we are now enjoying. (?)

Digitized by Google

Will you permit us to remind you, Mr. Payne, that as a neighbor of ours you are largely interested in the willow industry directly and the basket business indirectly. More baskets are made in Liverpool than anywhere else in the country. Probably one-third of our supply of willows comes from Wayne County. You may recognize as among your constituents the names of William Facer, Henry Kaiser, C. G. Blaine, Mrs. L. C. Parshall, Mrs. Williams, Dewitt C. Parshall, Henry Folkey, John A. Holmes, August Hill, and E. L. Gilbert, of Lyons; R. R. Barnes, Nicolas Desanto, and H. E. Exner, of Clyde; H. E. Farmer, Peter Van Ditto, and Mrs. Andrew Shelter, of Port Byron. There are, of course, others.

All of these parties are willow growers, and without question would appreciate what you would do for them in the way of helping to protect one of the products of your district. Willows will adapt themselves to low and otherwise unproductive land. There is a lot of low land in old Wayne that can grow willows if it pays. If this is not a struggling industry, what is?

We make a personal appeal to you, Mr. Payne, to help us out in this matter and at the same time do a good service to your own home district. Mr. Driscoll can not be there personally, but he is strongly with us in this matter.

With great respect, we are, yours, very truly,

A. H. CRAWFORD,
FRED. WYKER,
E. V. AIKEN,
THOS. METCALFE,
Committee of the Business Men's Association.

SUPPLEMENTAL STATEMENT RELATIVE TO WILLOW INDUSTRY SUBMITTED BY COMMITTEE OF BUSINESS MEN'S ASSOCIATION, LIVERPOOL, N. Y.

LIVERPOOL, N. Y., *December 4, 1908.*

The Ways and Means Committee,
House of Representatives, Washington, D. C.

HONORABLE GENTLEMEN: Not being able to send a personal representative to present our case before you when willows and willow baskets are reached by you in the schedule on November 20, we desire, respectfully, to submit the following:

This industry was started in this country about fifty years ago, but has never been adequately protected. Proof that it is a struggling industry is that at this date only about 1 square mile, altogether, is now producing willows in this entire country, although no soil or climate in the world is better adapted than our own for its culture. No better workmen can be found in any country than ours. We make the best goods in the world, except in the fancy lines, and with proper protection we could successfully compete in those.

In spite of these favorable circumstances, there were imported into this country for the year 1907 about $185,000 worth of willow baskets and about $35,000 worth of willows. Please verify these figures by the Bureau of Forestry, Department of Agriculture, Washington,

Digitized by Google

D. C. At the fictitious valuation (see explanation further on) of about one-third their real value this would make the real value of these imports about $660,000.

About 2,000 tons of domestic willows are annually worked up in this country. When manufactured into baskets this would represent about $160,000 worth at jobbers' prices. We have then $660,000 worth imported, as against $160,000 worth of the domestic production, or about as four to one. In other words, we are having about one-fifth of our home market.

The cause of this difference is not crop failure nor business depression, as our production and prices for 1907 were about the same as for 1906 and former years. The prime cause is that our fence is too low.

As this business is conducted in this country, the sets are stuck in the ground by hand, cultivated by horse, and hoed by hand. No harvester can touch a crop of willows. Every reed must be cut by hand, bundled, steamed, stripped of bark, and made into baskets entirely by hand. There is not a turn of a wheel from field to consumer. Many attempts have been made to introduce machinery, especially in taking off the bark, and even in making the baskets, but none so far have been anything more than costly experiments. At present it seems to be inevitable than this industry must remain a handicraft in every sense of the word.

These things being true, how can American workmen compete with the foreign maker who earns from 25 to 38 cents a day and who won't or can't come over here and help support American institutions, but seeks only our markets? An ordinary workman with us at the skilled trade of willow clothes basket making, earns in ten hours 90 cents to a dollar a day. If, then, as both political parties claim, the tariff should represent the difference in wages between the foreign and the domestic workman, we claim decidedly that there is something coming to us in the matter of a raise in duties on willows and baskets.

Last year the willow stripper of this country received $10 to $12 a ton. This year $8 to $9. This work is done by men, women, and children, can be done indoors, and in the winter; but the man who does the heavy parts of the work does well to make 40 or 50 cents in ten hours. The others in proportion. How can an American citizen work for such wages and retain his self-respect, let alone pay rent and live?

Domestic willows brought last year $25 a ton when cut and delivered at the cars green. This year they were $20. The freight, the steaming ($1.50 a ton), and the stripping and drying ($12 a ton) makes, say, $38.50 a ton. One ton of green willows will yield about 700 pounds of stripped dried rods ready for the basket. This figures about 5½ cents a pound for the willow prepared for basket making.

If we ship to other cities for a market $1 to $2 per ton more must be added for better binding and packing. We find then that the true raw material costs $20 a ton against 5½ to 6 cents a pound, or $100 to $120 a ton, for the dried willows. Why are not these a manufacture and as such entitled to the same protection as other manufactured articles? Foreign willows were sold last year for 3½ to 6½ cents a pound. We respectfully ask your careful consideration of this question.

Digitized by Google

By some arrangement we understand whereby the President is allowed to make emergency treaties with other countries; willows and baskets have been made a scapegoat to make good for threatened boycott in meats or something else. Importers are allowed to make their own valuation in willows and baskets. Baskets and willows have been imported at an appraisal as low as one-third the amount they are actually sold for on this side. The exporters, by the way, are usually American importers or their traveling agents.

The Government, through the Agricultural Department, is helping us in all ways possible. The Bureau of Forestry connected with the Department can give information probably that you may require which we have not here given.

We respectfully ask that you grant us:

First. An increase in duty on manufactured articles to 60 instead of 40 per cent as now.

Second. An increase in duty on peeled willow, now perhaps called raw material, to 50 instead of 20 per cent as now.

Third. An appraisal at full value on this side.

We protest in the strongest terms against the appraisal of these goods at a fraction of their value by the exporter or the importer.

We earnestly urge your careful consideration of the statements and requests herein set forth.

With great respect, we are, yours, truly,

A. H. Crawford,
Fred Wyker,
E. V. Aiken,
Thos. Metcalfe,
Committee of the Business Men's Association.

WILLOW GROWERS AND BASKET MAKERS OF BURLINGTON, IOWA, CLAIM THAT WILLOW AND OSIERS NEED HIGHER DUTY.

Burlington, Iowa, *November 20, 1908.*

Ways and Means Committee,
House of Representatives, Washington, D. C.

Honorable Gentlemen: As we are unable to send a personal representative to present our case before you, when the tariff on willow ware is reached by you we desire respectfully to submit the following:

The willow ware industry was started in this country about fifty years ago, but as it has never been properly protected against the product of the cheap labor of Europe it has languished instead of having grown with the country. No soil or climate is better for the production of willows than ours; thousands of acres of lowland can be made to yield a crop, if properly protected. No better workmen can be found in any country than ours; but these workmen, coming almost in direct competition with the cheap labor of Europe, can not earn a fair day's wages.

The quality of American willow ware is equal to the best foreign makes, but on account of the high cost of labor only a very limited quantity can be sold in competition with the imported article, because

Digitized by Google

the European basket maker works for from 25 to 35 cents per day. Culture of willows, as well as production of baskets, is hand labor. The present duty is entirely inadequate to protect the American workman, or to make up the difference in the cost of wages. Furthermore, importers who secure their supply through their own branch houses or agents in Europe make practically their own valuation on imports, and these are often only one-third of the original price, cutting the actual duty down to a very insignificant sum.

There were imported into this country in 1907 about $220,000 worth of willows and baskets. Multiply this by three and you have an actual importation of $660,000. Add to this the cost of freight and duty and the sum will approximate closely to $1,000,000. Altogether about 2,000 tons of American willows were worked into baskets, worth at jobbers' prices $160,000. Compare these figures with the American selling price of the imported article and you can see at a glance that our industry is suffering under the burden of the imported ware, and that with the right kind of protection there is a chance for a large expansion.

The general demand for willow ware in this country is growing; the population is increasing every year, while our industry has for years been stationary; in some sections of the country it has even gone backward; this applies especially to willow culture. The Bureau of Forestry will confirm this. Give us an import duty that will enable the American willow worker to earn American wages and the thousand and one beautiful articles that are made out of willows and which are now being imported will be made in our country, giving pleasant and profitable employment to the American workman—the best on earth—if he is given a chance to earn living wages. Give us a real protection duty on willows and thousands of acres of lowlands that are almost worthless now can be made to yield a crop which will considerably increase the natural wealth of this country. Ours is an infant industry in the fullest sense of the words. With proper protection it can be increased tenfold within a very few years, but as practically all the labor from the planting of the seed is hand labor it needs a high duty to protect it against the pauper labor of Europe.

The Government, through the Department of Forestry, is helping us in all ways possible. The Bureau of Forestry can give you any desired information regarding willow culture; also the willow-ware industry, as they have recently made a very thorough investigation.

What we need is:

First. A duty on manufactured willow baskets and willow ware made wholly or in part of willows of 60 per cent.

Second. A duty on peeled or white willows, called raw material, of 50 per cent.

Third. An appraisal at full value on this side.

We object strongly to have the importer put his appraisal on his own importation through his foreign agent.

This matter is of the utmost importance to a very large number of struggling basket makers all over the country. The duty suggested would put new life into our industry, keep a large sum of money at home where it belongs, and bring many skilled basket makers over

Digitized by Google

from Europe; it will build up an industry that will be a credit to this country.

Hoping you will give this your careful consideration, we remain,

Respectfully, yours,

E. A. FLORANG,
J. H. SCHIER,
ARTHUR SCHWERIN,
O. E. FLORANG,
Willow Growers and Basket Makers.

CHESTER G. BLAINE, LYONS, N. Y., THINKS DUTIES SHOULD BE DOUBLED ON GREEN WILLOWS AND WILLOW BASKETS.

LYONS, N. Y., *December 13, 1908.*

Hon. SERENO E. PAYNE, M. C.,
Washington, D. C.

DEAR SIR: As one of your constituents who is pecuniarily interested in the willow and basket industry of this country, I ask you to do what you can for us in the coming revision of the tariff. The import duty on peeled willows now is 25 per cent ad valorem. On willow baskets it is 40 per cent. The peeled willow is not strictly raw material. It is a manufacture worth five to six times what the true raw material—green, unpeeled willows—is worth. These manufactured articles—peeled willows and baskets—should both have a higher tariff on them. More than that, present conditions should be changed. By some arrangement, legitimate or otherwise, the exporter, who is really the importer's agent often, or even the importer himself, has power to fix his own valuation. This valuation is nominal and in effect lets them in about free. That is as we understand it.

No machinery is used either in the production of willows or the manufacture of baskets. We are therefore competing with foreign labor at about 25 cents a day. Hardly in the whole list of American industries will you find so aggravated an instance. Foreign goods are flooding the American markets and are sold at the very doors of our little shops. We can raise just as good willows as any country in the world, but we never can get strongly established in the culture of the basket willow and the basket industry under present conditions. Two-thirds of the willows and baskets used in this country are imported. We have only one-third of our home market. Yet it can not be said that our goods are inferior. In fact, they are better. Two thousand to twenty-five hundred tons of willows are raised yearly in this country on an area of, say, 7,000 acres, about 10 square miles. Surely this is an infant industry if there are any. Yet we have millions of acres of low waste land well adapted for willow growing.

The Government is making extensive experiments in our behalf. With that and a favorable tariff we can hope to make it a great industry.

Under existing conditions we are compelled to pay from $7 to $10 per ton to get our willows cut, and it costs about another dollar to get them loaded on the cars for shipment. The grower the past year

Digitized by Google

has been paid $16 per ton for the green willows. From 2 to 4 tons may be grown on an acre, and after paying expense of cultivation during the summer season there is scarcely a dollar per ton left for the grower.

If the tariff were doubled on green willows and all manufactured baskets, then there would be a demand for homemade baskets and the wholesaler would get better prices. If the wholesaler got better prices, then he could pay better prices to the basket maker for his goods. If the basket maker got better prices for his goods and his labor, then he could pay better prices for the green material and peeled willows. Thus you can readily see who will be benefited by increasing the present tariff on both green and raw materials and on the manufactured article. As a grower (having over 40 acres now producing salable willows) I am particularly interested in seeing the tariff raised to a point where we can be protected and where we can realize something from the crops over and above the actual expense of production. The Government has had men here to see us the past year, who have made many valuable suggestions in relation to the industry, but unless we can get protection it can never rise to a point where it can command the attention of any very great number of people.

Your interest and aid in the matter is most earnestly solicited.

Very truly, yours,

CHESTER G. BLAINE.

MISS S. E. BENNETT, LYONS, N. Y., A GROWER OF WILLOWS, STATES THAT PROTECTION IS NEEDED FROM CHEAP-GROWN FOREIGN PRODUCTS.

LYONS, N. Y., *December 30, 1908.*

Hon. S. E. PAYNE.

DEAR SIR: As the tariff is being revised, I take the liberty of writing you in reference to basket willows. I am a willow grower, having one of the best, if not the best, lot of willows in this section, the true Oseir willows, grown on deep muck land, which produces willows of the best quality.

Now we are obliged to compete with foreign-grown willows, for they send into this country their baskets by the shipload, without handles, and they come in as raw material—are sold far below what willows can be grown and baskets made for in this country.

It is said that one St. Louis firm imports yearly over $1,000,000 worth of willow baskets. Cayuga, Seneca, and Wayne counties can grow willows enough to supply the whole country with baskets if we could have a protective tariff that would keep out foreign willows that are grown mainly on Crown lands.

Pardon me for troubling you.

Respectfully, yours, (Miss) S. E. BENNETT,
Lyons, N. Y.

Digitized by Google

ANTISEPTIC TOOTHPICKS.

[Paragraph 207.]

STATEMENT OF ALEXANDER HERZ, OF THE HYGEIA TOOTHPICK COMPANY, NEW YORK CITY, N. Y.

SATURDAY, *November 28, 1908.*

Mr. HERZ. The antiseptic toothpick, Mr. Chairman and gentlemen, is prepared by being antiseptically treated with permanganate of potash, then sterilized with 260° of heat, and after that it is incased in envelopes, so that it is protected from all contamination.

Mr. CLARK. But 260° of heat will burn it out, will it not?

Mr. HERZ. Yes; I mean 160°.

Mr. CLARK. I saw some not long ago that had the points black.

Mr. HERZ. They are the article I refer to.

Mr. CLARK. They are not antiseptic, are they?

Mr. HERZ. They are prepared in both ways. The American public does not like the brown quills. The toothpicks are prepared with permanganate of potash or with sodium peroxide solution, but preferably with the one that does not make them brown, because the American public is objecting to the brown quills. They think they are the result of iodine or some other matter, and the toothpicks do not look esthetic on the table.

Mr. CLARK. They look as though they had been stuck in iodine?

Mr. GRIGGS. They are not esthetic enough? Is that right?

Mr. HERZ. What do you say?

Mr. GRIGGS. They are not sufficiently esthetic?

Mr. HERZ. Well, they do not look very nice on the table.

Mr. CLARK. What is it you are after, Mr. Washburn? You simply want some language that straightens out the classification, do you?

The CHAIRMAN. You do not want a higher rate of duty than the present law, do you?

Mr. WASHBURN. If the present law is retained on toothpicks pure and simple—that is, the raw material which these people use—naturally they will have no objection. They want a higher rate on the prepared toothpicks to compensate them for the difference in the cost of labor between the United States and Europe. These people pay in this country the girls and women who put up these toothpicks in the way I have shown you from $6 to $9 a week. The labor cost in France for doing the same work is from 7 to 9 francs a week.

The CHAIRMAN. Are these antiseptic toothpicks made here or in France?

Mr. WASHBURN. They are made in France and imported.

The CHAIRMAN. Did they start the industry there first?

Mr. WASHBURN. They started there first; yes. It is now done to a certain extent in the United States. We will file a brief on the subject.

Mr. CLARK. The only cost of raw material is the cost of going and gathering up the goose quills, is it not?

Mr. WASHBURN. The raw material, Mr. Clark, which they use consists practically of the quills and the paper, on which, as I say, they pay 60 per cent duty.

Digitized by Google

The CHAIRMAN. The quill is a by-product of the goose?

Mr. WASHBURN. Oh, yes.

Mr. CLARK. I say, all the raw material costs is the cost of gathering the quills up? Geese are not raised for their quills?

Mr. WASHBURN. Undoubtedly it is a by-product; but they have to pay the rate of duty provided in paragraph 207, by similitude, of 2 cents per 1,000 and 15 per cent ad valorem. That is what they pay on the raw material, and they pay 60 per cent on the paper.

The CHAIRMAN. Is this paper sack put on by machinery?

Mr. WASHBURN. Yes; it is. The curious thing about it is that this manufacturer, getting his drawback on his imported material (that is to say, the duty which he pays on his quills and the duty of 60 per cent which he pays on his paper) is able to compete abroad with these foreign free-trade toothpick manufacturers.

Mr. CLARK. Where is this industry located?

Mr. WASHBURN. It is located in New York. There is also one factory, I believe, in Cincinnati, and factories at one or two other points.

Mr. GRIGGS. Do you consider these necessities or luxuries?

Mr. WASHBURN. That would practically depend on what part of the country you were in, Mr. Griggs.

Mr. GRIGGS. Entirely?

Mr. WASHBURN. Well, partly.

Mr. GRIGGS. We would like to know what part you refer to.

Mr. WASHBURN. It is a necessity with some of us.

QUILL TOOTHPICKS.

[Paragraph 207, under provisions of section 7.]

STATEMENT OF O. H. WASHBURN, OF NO. 12 BROADWAY, NEW YORK CITY, N. Y., RELATIVE TO QUILL TOOTHPICKS.

SATURDAY, *November 28, 1908.*

Mr. WASHBURN. I will come within five minutes, Mr. Chairman, as this is a narrow subject. It is a new industry. There is no provision in the present tariff act for toothpicks of goose quill.

The CHAIRMAN. There is for toothpicks.

Mr. WASHBURN. But not for toothpicks of goose quills. Paragraph 207 provides for toothpicks of wood or other vegetable substances. Quill toothpicks, such as we are all familiar with, are imported and classified by similitude under paragraph 207 at the rate of 2 cents per thousand and 15 per cent ad valorem.

During the last few years, since the present tariff act has been passed, there has sprung up an industry which prepares antiseptically these quill toothpicks and puts them up in these dainty paper coverings that I have shown you.

The CHAIRMAN. I have seen them.

Mr. WASHBURN. Yes; you have seen them. They are on the market. There are people in this country who desire to do this work and who are doing it now to a very limited extent. These toothpicks are prepared, there being no provision for them in the act, and they pay also the same rate of duty by similitude under paragraph 207 which the raw material pays, although the value of the finished ar-

Digitized by Google

ticle is about three times the value of the raw material. They also pay 60 per cent on the paper which they use, as "smokers' articles," under paragraph 459, because that paper resembles cigarette paper. That is the classification. I have the case in charge for this client——

The CHAIRMAN. What do you want done? I do not understand what you are getting at.

Mr. WASHBURN. I will tell you what I want done, Mr. Payne. I will amplify it in a brief. These people want a one-rate graduated rate of duty on the quills unprepared and an advanced rate of duty for the quills prepared with the coverings, to compensate for the difference in the cost of labor here and abroad.

Mr. LONGWORTH. There is a duty on porcupines now, is there not? [Laughter.]

Mr. WASHBURN. They must be on the free list, Mr. Longworth.

Mr. CLARK. What do they do to these quills? They are as old as America. You do not want a tariff on toothpicks, do you?

Mr. WASHBURN. There is one on toothpicks of wood now.

Mr. CLARK. I understand; but what makes you call them "antiseptic?"

Mr. WASHBURN. Because of the preparation they receive.

Mr. CLARK. What do you do to them?

Mr. WASHBURN. That the manufacturer will have to explain to you.

Mr. CLARK. That industry is as old as America.

Mr. GRIGGS. It is as old as the goose itself.

TOOTHPICKS AND TISSUE PAPER.

[Paragraphs 207 and 397.]

THE HYGEIA ANTISEPTIC TOOTHPICK COMPANY, NEW YORK CITY, ASKS FOR MORE DUTY ON TOOTHPICKS AND LESS DUTY ON TISSUE PAPER.

NEW YORK, *December 4, 1908.*

The COMMITTEE ON WAYS AND MEANS,
House of Representatives, Washington, D. C.

DEAR SIRS: We wish to be heard with reference to the adjustment of the tariff on toothpicks. The only provision in the present act is found in paragraph 207, which is restricted to "toothpicks of wood or other vegetable substance." We are engaged in the manufacture of antiseptic and sterilized toothpicks made largely of quills. Our raw material (quill toothpicks) pays the rate of duty provided for in paragraph 208 (2 cents per 1,000 and 15 per cent ad valorem) by reason of the application of what is known as "the similitude clause." Our difficulty lies in the fact that foreign competitors producing our finished article can import them into the United States at the same rate of duty as that which we are required to pay upon our raw material. We mean that the sterilized toothpicks incased in wrappers, although they have increased in value threefold by the process of production, pay also 2 cents per 1,000 and 15 per cent ad valorem under paragraph 207 by virtue of the similitude clause. Not only are we handicapped by this fact, but we are also obliged to pay a 60 per cent rate of duty upon the tissue paper which

Digitized by Google

we use for wrapping purposes, under paragraph 459 as "smokers' articles," because our tissue paper, although watermarked with our name "Hygeia," and coming in narrow 29 millimeter widths, resembles cigarette paper. This rate of duty is practically prohibitive.

A word of explanation as to the method of manufacture may enlighten your honorable committee. Antiseptic toothpicks are made up of various materials, but usually of quills, and go though a process of sterilization and antiseptic treatment. After this process is finished, they are incased individually in a paper wrapper or put up usually in quantities from one up to ten in a suitable container, wrapper, or tube. The principal materials used in the manufacture of these toothpicks are as follows:

1. Toothpicks of quill or other material.
2. Permanganate of potash or sodium of peroxide, with which the crude toothpicks are antiseptically treated.
3. Tissue paper or other wrapping material in a suitable form and style to make the inclosures or wrappers for the purpose of incasing the toothpicks and protecting them from contamination.

In putting this article on the market we have to compete with a foreign article produced at a difference in labor cost which is enormous. The wages abroad paid to girls who do this sort of work is from 6 to 9 francs per week, while we pay the girls employed by us, for the same character of work precisely, $6 to $9 per week. It costs us, including the duty paid upon our raw material, $122.80 to produce 100,000 toothpicks antiseptically prepared and incased. Our foreign competitors quote a price of $124.49 for antiseptic incased quill toothpicks in lots of 100,000, delivered in the United States duty paid.

We respectfully ask for a compensatory rate of duty which will adequately protect our finished product. If the present rate of duty (2 cents per 1,000 and 15 per cent ad valorem) is to be retained upon toothpicks of all kinds, either directly or by similitude, we would suggest the following amendment to the present paragraph, based upon the threefold increase in value on the sterilized and incased article:

207. Toothpicks of celluloid or animal or vegetable substances, and natural or made julep straws, whether imported loose or in bulk, or in bundles of more than ten toothpicks or straws in a bundle, two cents per thousand and fifteen per centum ad valorem; but if put up individually in wrappers, tubes, or other containers, or if in packages of not more than ten toothpicks or straws in each package, two cents per thousand and forty-five per centum ad valorem; butchers' and packers' skewers of wood, forty cents per thousand.

As to the watermarked tissue paper which we import and which is now assessed at 60 per cent ad valorem under paragraph 459, we have to suggest (with a view to insuring what would seem to be the appropriate, equitable, and logical classification on such paper) that paragraph 397 be amended to read as follows:

397. Papers commonly known as copying paper, stereotype paper, paper known as bibulous tissue paper, *including watermarked paper imported expressly for covering toothpicks, julep straws, and kindred articles*, pottery paper, and all similar papers, etc.

The proposed new matter is printed in italics.

Respectfully,

THE HYGEIA ANTISEPTIC TOOTHPICK CO.,
Per A. HERZ.

Digitized by Google

FOLDING RULES.

[Paragraph 208.]

THE STANLEY RULE AND LEVEL CO., NEW BRITAIN, CONN., ASKS FOR INCREASE OF DUTY ON FOLDING RULES.

WASHINGTON, D. C., *December 1, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The Stanley Rule and Level Company, of New Britain, Conn., is engaged in the manufacture of carpenters' tools, such as iron planes, bit braces, boxwood and other rules.

It has been in the business for more than fifty years, and in some of its branches has been a pioneer manufacturer in this country.

For the purpose of carrying on this business said Stanley Rule and Level Company has invested large sums of money in buildings, machinery, and tools, the machinery and tools being largely of its own devising and manufacture, and it is believed that no one in the United States has better facilities for the production of the same line of goods.

About the year 1899 the company entered upon the business of making the kind of rules known as the "folding," or as it is sometimes called in this country the "zigzag" rule, the word "zigzag" being a trade-mark registered by this company. At the time when it began to make this class of rules, no rules of its kind were made in the United States, so far as is known to the Stanley Rule and Level Company.

These "folding" rules are composed of sections, each section being a thin strip or ribbon of wood adapted to measure 6 inches and overlapping its next neighbor, and pivotally connected therewith, so that when the sections are opened out into alignment, a rule is made to measure from 2 to 8 feet, as may be desired. By this is meant that the union of four sections will make a 2-foot rule, and six sections a 3-foot rule, and eight sections a 4-foot rule, and so on. When the rule is in its folded position it will consist of a number of 6-inch sections superposed one upon another. The pivotal connection between the sections is part of an ingenious joint, usually of steel, to which a large part of the cost of the rule is due, so much indeed as to almost prevent the wood from being "the component material of chief value."

It should be said that some rules are made with 4-inch sections, and a considerable number with 9-inch sections; but what has been said of the 6-inch sections is true of them in every material sense.

From the first, this new branch of its business has had the advantage of the company's general equipment of machinery, and some of its best mechanics have been employed ever since in devising special machinery to save the cost and increase the production.

In spite of its improved machinery and special improved modes of manufacture, this company is now unable to compete with the rules made in Germany, excepting to a limited extent, as hereinafter explained.

The following table gives the prices at which large quantities of German rules are laid down in this country, all charges and duty

Digitized by Google

paid, along with the cost of corresponding rules as made in the Stanley Rule and Level factory; that is to say, with the cost of the quality of folding rules made during the last year by the Stanley Rule and Level Company—its "Victor" line—to try to meet the competition of the quality of German goods made for the American market, which have gained their strongest hold in this country during the years 1906 and 1907.

Comparison of American and German rules.

[All prices shown below are per one dozen rules.]

German and S. R. and L.—sizes.	German rules cost laid down in this country, duty paid.	German rules, cost, if duty were 45 per cent.	S. R. & L. rules, "Victor" zigzag rules, costs.
2-foot	$0.50	$0.54	$0.54
3-foot	.75	.80	.80
4-foot	.99	1.06	1.07
5-foot	1.23	1.32	1.34
6-foot	1.48	1.59	1.60
8-foot	1.96	2.10	2.01

The foreign rules are largely made in workhouses and prisons, although large quantities are imported which are not so made, and the prices of the latter are substantially the same as the prices of the former. The Stanley Rule and Level Company can, therefore, get no substantial aid from the provision of the tariff relating to prison-made goods.

The encouragement to the manufacture of this rule is so small that no one, excepting the Stanley Rule and Level Company, has undertaken the manufacture of them in this country to any considerable extent, so far as is known.

At the present time the Stanley Rule and Level Company are trying to compete with the foreign goods, and are practically cut off from profits upon goods of the same character and quality as the great bulk of the foreign folding rules.

The Stanley Rule and Level Company does, indeed, do a limited business in making a superior grade of the class of rules under consideration, but the sale of such rules is due to their recognized superior quality and to the great reputation of the company as a manufacturer of excellent carpenter's tools, and the demand is necessarily limited, because German rules can be bought in this country of a competitive character, though not of similar excellence, at a cheaper rate.

The Stanley Rule and Level Company feel that the duty should be such as to enable it to obtain a fair profit upon goods of the same quality as the foreign articles, with which they are compelled to compete.

To enable this to be done, the present duty should be increased, and a duty of 45 per cent will be necessary to enable the Stanley Rule and Level Company to meet German prices and compete on something like even terms.

Digitized by Google

It is believed that the foregoing figures as to the prices of German rules laid down in this country err, if at all, in being too high, and that the records of the Treasury Department relating to importations will so establish.

It is believed, also, that the investigation of the Treasury Department has established the fact that the German rules herein referred to are made in large quantities in workhouses and prisons.

What has been said as to German rules is also true of Austrian rules of the same kind, although the Austrian rules cost less, rather than more, when laid down in this country.

Attention is directed to the affidavits appended hereto.

CHARLES E. MITCHELL,
Of Counsel.

EXHIBIT A.

Alix W. Stanley, of the town of New Britain, county of Hartford, State of Connecticut, being duly sworn, deposes and says:

I am the vice-president of the Stanley Rule and Level Company, and in such capacity have had the immediate charge of its manufacturing and other departments.

I have read the brief of the Stanley Rule and Level Company to which this affidavit is appended. The statements of fact therein contained are correct. I have made a special study of the cost of German rules of the kind to which this brief relates, as imported into this country, having made a special trip to Germany for that purpose in connection with such study. The prices at which German rules can be and are imported into this country are correctly stated in the brief, the actual cost to purchasers in this country being smaller rather than greater than the figures given. I ascertained that such rules are largely made abroad in workhouses and prisons, and I also ascertained that I could purchase those not so made as cheaply as the products of workhouses and prisons.

The facts given as to the cost of production in this country at the factory of the Stanley Rule and Level Company are also correctly stated.

A duty of 45 per cent is necessary to put the Stanley Rule and Level Company upon a plane of fair competition.

ALIX W. STANLEY.

Subscribed and sworn to before me this 1st day of December, 1908, at New Britain, Conn.

[SEAL.]

WILLIAM J. WORAM,
Notary Public.

EXHIBIT B.

Robert N. Peck, of the town of New Britain, county of Hartford, State of Connecticut, being duly sworn, deposes and says:

I am the sales manager of the Stanley Rule and Level Company, of New Britain, and have been connected with the sales department for more than twenty-six years, during which time I have become intimately acquainted with the business which it carries on, including the business of making and selling rules, as mentioned in the brief.

The statements contained in said brief and those contained in the affidavit of Alix W. Stanley, which I have read, are correct. I accompanied Mr. Stanley on his trip to Germany, and am in a position to corroborate, and do corroborate, what he states as to the prices and conditions there prevailing and as to the prices at which the rules are laid down in this country.

The business of the Stanley Rule and Level Company in making and selling rules of the kind under consideration is due to its good reputation and to the excellent character of its production, which enables it to obtain higher prices

Digitized by Google

than the prices at which German rules are sold in the American market for a limited production of folding rules. A duty of 45 per cent is necessary to put the American manufacturers upon a par with German manufacturers in competing for the American market.

ROBERT N. PECK.

Subscribed and sworn to before me this 1st day of December, 1908, at New Britain, Conn.

[SEAL.] WILLIAM J. WORAM, *Notary Public.*

PATTERNS OF WOOD.

[Paragraphs 208 and 616.]

STATEMENT MADE BY JAMES L. GERNON, REPRESENTING THE PATTERN MAKERS' LEAGUE OF AMERICA.

FRIDAY, *November 20, 1908.*

Mr. Chairman and members of the committee, patterns were declared by the courts to enter this country free of duty. They were classified under section 616 of the free list. The Government imposes a duty under section 208 of 35 per cent ad valorem on manufactures of wood.

I understand that it is the intention of the committee to change that section and take out all reference in relation to patterns.

We believe that in addition to that there should be a duty imposed upon patterns.

This is an important business, one of the most important, so far as skill required is concerned, in the country. Pattern makers, as mechanics, are rated as the most skillful mechanics in the country. We find from the fact that they can bring them in free that we are not only up against the question of the free importation, but we are up against the importation of the mechanical improvements.

Of course that has no reference to this particular phase of it. The rate of wages in Europe is about one-third of what it is here. We have gone very carefully over it and we find that the average wages of about ten of the countries in Europe will average about $7.75, or, we will say, $8 a week. That is about one-third of the wages of the pattern makers in this country.

Mr. DALZELL. You say they have been subjected to a duty?

Mr. GERNON. They were brought in here, and the Government imposed a duty, under section 208, of 35 per cent. That is, 35 per cent ad valorem. The courts decided against that. We spent thousands of dollars to fight the matter with the Government.

Mr. UNDERWOOD. Will not the conditions now, after the decisions, leave it free trade?

Mr. GERNON. Yes. They come in free.

I would like to say this, Mr. Chairman: That while we were in doubt as to whether we came under the title of manufactured wood products or metal products, the Government had imposed the duty under the manufactured wood products, and we thought possibly this was the proper hearing to come to. There has been a good deal said to-day of the question of machinery in Canada. We know and we find that there are about 27 per cent of our men out of work, and we give credit to the English Government and the Canadian govern-

Digitized by Google

ment. They have, since the 28th of August, imposed a duty that will prohibit all patented articles not manufactured in Canada and Great Britain. We know that in the past few years the ——— (?) plant went into Canada and bought the ——— (?) plant, and they are not manufacturing their product in America. The result is, we are going to suffer, or the American mechanics will, unless there is something of that kind established in this country.

The CHAIRMAN. There is a bill pending now on that subject.

Mr. HILL. Yes; there is a bill pending now on that subject.

The CHAIRMAN. If paragraph 616 was amended to read as follows—

Models of inventions and all other improvements to the arts, including model patterns of machinery, to be used exclusively as models and incapable of any other use—

would that meet your contention?

Mr. GERNON. I do not think so.

The CHAIRMAN. It would meet your contention, would it not?

Mr. GERNON. For this reason. I am not enough of a lawyer to decide. We spent a good deal of money for lawyers. I do not know whether that model pattern would give us the same trouble that we had when we were before the Board of General Appraisers, and we used all the ingenuity of our business to construct a molder's pattern and a model pattern. The board of appraisers decided in favor of us, but the courts decided against us.

The CHAIRMAN. This language was suggested by the assistant counsel for the Treasury Department and approved by the general praisers, in view of the decision of the court.

Mr. GERNON. It might be all right, but the words "model pattern" I do not like. I have the testimony here, taken in that case.

The CHAIRMAN. It is hardly necessary to put "model pattern" on the dutiable list, because it is affected by the very nature of the thing.

Mr. GERNON. Would it not be better if a duty was imposed on patterns, if patterns were put on the dutiable list? It is an important industry. I am afraid that the words "model pattern" in that paragraph are going to give us the same trouble that we have had.

The CHAIRMAN. It seems that these two models of the steamships were brought here for exhibition.

Mr. GERNON. Yes. That is another phase of it. Up to the time that the Government did away with the models in the Patent Office and used drawings that was an important part of our business. We were known then as model and pattern makers. Now there are so few models made in this country we have got down to using the word "pattern." But I remember in that hearing before the Board of General Appraisers the question hinged on a molder's pattern and the model pattern, and we had to spend money, thousands of dollars, to clear that point.

The CHAIRMAN. Yes. It appears that you helped the United States to try the case. If you will see the clerk in the morning you can see the counsel for the Treasury Department and talk it over with him.

Mr. GERNON. All right, sir.

The CHAIRMAN. I think that will be the best way, and probably that can be arranged satisfactorily.

Mr. GERNON. All right, sir; I am much obliged.

Digitized by Google

JAMES L. GERNON, REPRESENTING THE PATTERN MAKERS' LEAGUE, FILES SUPPLEMENTAL BRIEF.

NEW YORK, *December 10, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: Notwithstanding the fact that the membership of the Pattern Makers' League appreciate the intention of the Committee on Ways and Means to amend section 616 of the free list relative to patterns, which change is necessary in view of the decision of the United States circuit court of the southern district of New York and the United States circuit court of appeals permitting free entry of patterns, as the authorized representative of the Pattern Makers' League of North America I respectfully petition your honorable committee and Congress to impose a duty on patterns made of wood, metal, and other material sufficient to afford this important industry adequate protection, such as should be given to American manufacturers and workmen.

When the Government imposed a duty of 35 per cent ad valorem on patterns as manufactures of wood, it did so because the patterns imported were made of wood, but with the introduction of modern methods of molding and the very general use of molding machines the business of pattern making has so developed that, while the principal material used in this industry is wood, metal and other substances, such as plaster, wax, etc., are used to a very large extent, and the pattern maker of to-day must be able to work in all of the above-mentioned materials. For the above reason it is impracticable to simply allow a duty to be imposed on the products of this important industry as manufactures of whatever material they may be made, such as wood, metal, etc. They can only be appraised as "manufactures of wood" when wood is the material used in their construction.

With the modern development of ocean travel, it is only a matter of a few days to send drawings from this country to Europe, and about the same time to ship the finished products to this country. In other words, it is as easy and as quick to make deliveries from Europe to New York as from Chicago to New York or places of equal distance, to say nothing of the enormous advantage as to the cost of labor, which constitutes practically the entire expense in making patterns.

The average pay of pattern makers for a nine-hour day in this country is a little over $24 per week, as against an average of $8 per week for a ten-hour day in Europe, with the exception of Great Britain, where they work nine and three-quarter hours per day and five and one-half hours on Saturday.

Following is the rate of wages paid in a number of the principal countries of Europe:

	Per week.
France	$10.80–$14.40
Great Britain	6.00– 10.00
Germany (Berlin)	10.50– 13.50
Holland	6.00– 7.50
Hungary	9.00– 12.00
Spain	6.00– 7.00
Sweden	8.00
Switzerland	6.00– 10.00
Russia	6.00

Digitized by Google

For the reason that it will be impossible to compete with the labor of Europe where the average wage is one-third of what it is in this country, as shown in above list, we trust Congress will give us the protection to which we are entitled, in order that we may maintain the American standard of wages and conditions, and that the pattern makers of this country may obtain a fair amount of employment, which we have not enjoyed in the past, and we hope, with a proper duty imposed, we will be protected and will never again be compelled to assess the men working as pattern makers to support the large number of pattern makers who are forced through idleness to be dependent upon their fellow-craftsmen. During the past nine months the New York Association of Pattern Makers paid $36,000 to aid the members who were out of work, and during that same period it has cost the national organization over $200,000 to aid the men who were out of work.

Inclosed is a statement of the wages paid pattern makers in the principal countries of Europe.

Trusting that Congress will realize the necessity of affording this industry protection, I remain,

Very sincerely, JAMES L. GERNON,
General Vice-President
Pattern Makers' League of North America.

EXHIBIT A.

RATE OF WAGES PAID PATTERN MAKERS IN FOREIGN COUNTRIES.

Spain.—Barcelona, Spain, the rate received per week is 6 pesos, or about $1 per day in United States money; they work nine and one-half to ten hours per day.

Sweden.—Highest rate paid pattern makers is from 25 to 30 crowns per week, equivalent to $8 United States money; they work ten hours per day.

Hungary.—Budapest, Hungary, highest rate paid, 45 to 60 kor, or $9 to $12 United States money.

Lowest rate paid, from 25 to 35 kor, or from $5 to $7 United States money; work ten hours per day entire week. Mostly piecework done in this district.

Scotland.—Clyde district, highest rate paid being 8½ pence per hour, or equivalent to 17 cents per hour United States money; work fifty-four hours per week, nine and three-fourths hours per day and five and one-fourth hours on Saturday. Full week's wages, £1 18s. 3d., or $9.21 in United States money.

The average rate in the Clyde district being £1 10s., or $7.20 United States money.

London district pays £2 2s. 9d., or $10.26 United States money, for fifty-four-hour week.

Bonny Bridge, Falkirk, fifty-four hours per week, paid 35 shillings for a full week's wages (a shilling equivalent to 25 cents United States money).

Newcastle, England, fifty-four hours per week, nine and one-half hours per day, five and one-half hours on Saturday, full week's wages being 38 shillings.

Digitized by Google

France.—Lowest rate of wages paid being 54 francs, or $10.80 United States money, the highest rate being 72 francs, or $14.40 United States money. They work mostly the ten-hour day.

Holland.—Work from ten to twelve hours per day; receive on an average 2½ gulden per day, week's wages varying from 14 to 18 gulden, or from $6 to $7.50 in United States money.

Russia.—St. Petersburg, work nine and one-half and ten hours per day; receive for highest rate 15 rubles, the average pay per week being 12 rubles, or $6.12 United States money.

Germany.—Berlin, highest rate paid pattern makers is from 7 to 9 marks per day, equivalent to $1.75 to $2.25 United States money; wages per week, 42 to 54 marks, or about $10.50 to $13.50 United States money. Working hours per day, ten.

Switzerland.—Highest rate paid pattern makers, 30 to 50 francs per week, equivalent to $6 to $10 United States money; working hours per day, ten.

PORCH BLINDS.

[Paragraph 208.]

AMERICAN DYERS AND BLEACHERS ASK CONTINUANCE OF PRESENT DUTY ON PORCH BLINDS, UNDYED, AND AN ADVANCE FOR THE STAINED OR DYED BLINDS.

WASHINGTON, D. C., *November 24, 1908.*

HON. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
House of Representatives.

DEAR SIR: We have the honor to invite your attention to the need of a protective duty on dyed, stained, painted, and printed porch blinds, curtains, shades, or screens, made of bamboo, wood, straw, or composition of wood.

The dyeing and painting of porch curtains is a distinctively American industry, which originated with your petitioners six years ago, and which since has grown to large proportions and is now being copied by the Japanese.

There is no duty established to cover the dyed, stained, painted, and printed porch blinds or curtains.

There are agents in this country who import dyed, stained, and painted porch blinds, or curtains, and during the last three years there has been a strong foreign competition in this merchandise by reason of the cheap labor in other countries, the insufficient duty on same resulting in a loss of duty to the Government and loss of labor to the American workman.

The Japan dyed or stained porch blind, or curtain, sells in America at an advance over the raw porch blind, or curtain, of one-fourth cent per square foot.

By employing American labor and using dyestuffs that pay 30 per cent duty, dyeing and staining can not be equaled in this country for less than three-fourths cent per square foot.

The Japan-painted porch blind or curtain sells in America at an advance over the raw porch blind or curtain of one-half cent per square foot.

Digitized by Google

By employing American labor and the use of American paints and dyestuffs that pay 30 per cent duty, the painting can not be done in this country for less than 1½ cents per square foot.

The average price of labor for handling these goods in this country is $2 per day; in Japan, 12 cents per day.

Unless the duty as prayed for is imposed, the American dyers of porch curtains can not compete with Japan labor.

The importation of dyed, stained, painted, and printed porch blinds or curtains is contantly increasing, and, with this increase, unless protection be granted to those engaged in the dyeing and painting in this country they must necessarily retire from the business because of their inability to procure labor at the price made necessary by foreign competition.

Therefore, in order that we may compete with foreign competition, we do earnestly pray and petition your honorable body for a continuance of the present duty of 35 per cent ad valorem on the raw manufactured porch blind or curtain (see par. 208, Schedule D), and that an additional duty of one-half cent per square foot be levied on each dyed and stained porch blind or curtain, and an additional 1 cent per square foot be levied on each painted and printed porch blind or curtain; and that paragraph 208, Schedule D, of the present law, be amended to read as follows:

"Bamboo porch blinds, or curtains, shades, or screens, of bamboo, wood, straw, or composition of wood, natural or raw, 35 per cent; if stained or dyed, 35 per cent and one-half cent per square foot; if painted or printed, 35 per cent and 1 cent per square foot."

Porch blinds, or curtains, are purchased by the square foot, and bill and consular invoice always mention number of square feet purchased in each and every shipment.

If the duties were placed upon the articles as prayed for, we could increase our plants here, employ more men, and run constantly throughout the year.

Respectfully submitted.

R. H. Comey Company,
Dyers and Bleachers, Camden, N. J.
R. H. Comey Company,
Dyers and Bleachers, Chicago, Ill.
Parsons Brothers (Inc.),
Dyers and Bleachers, Brooklyn, N. Y.

AMERICAN MAKERS OF PORCH AND WINDOW SHADES OF WOOD ASK FOR NEW CLASSIFICATION.

Janesville, Wis., *December 3, 1908.*

Hon. Sereno E. Payne,
Chairman Ways and Means Committee,
Washington, D. C.

Dear Sir: We wish to call your attention to the fact that within the past few years foreign porch and window shades, made of wood, bamboo, reed or wood fiber, are being shipped into this country in large and increasing quantities, and that owing to the cheapness of labor and material abroad this importation is seriously affecting our home industry in this line. In fact, with the difference in conditions between the United States and foreign countries, chiefly on account

Digitized by Google

of the difference in the cost of labor and material which go into the manufacture of shades, the foreign manufacturer can pay the present duty and undersell the home manufacturer in the American market. You are aware of the fact that wood, oil, twine, and steel pulleys, etc., which enter into the manufacture of shades in this country, has greatly increased in price during the past few years, and that the price of labor has also advanced materially within the past nine years since the Dingley law went into effect.

While the cost of manufacturing shades in this country has been advancing, there has sprung up abroad a new and vigorous competition in the shade business, which, owing to the cheaper material abroad and the much cheaper labor, has seriously affected and, if not checked, may prove disastrous to a promising and important American industry.

We therefore would respectfully request and earnestly urge your honorable committee to place an additional duty to the present 35 per cent (see par. 208, Schedule D) of at least 10 to 15 per cent more on all foreign manufactured shades imported into this country. This increase will in some degree help to equalize the changed conditions, owing to increased cost of labor and material since the Dingley law went into effect, and, what is of still greater importance, it will more fairly equalize the differences in the cost of labor and material in this country and in foreign countries.

It is not necessary for us to submit figures showing these differences in the cost of labor and material, for your honorable committee having made a special study of such conditions are already familiar with these facts.

We wish to further call your attention to paragraph 206, Schedule D, which provides that "Chair cane or reeds, wrought or manufactured from rattan or reeds, 10 per cent ad valorem." Now, we notice in paragraph 700, Schedule D, that "Bamboo, rattan, reeds, unmanufactured," etc., are on the free list. Why should not the above items be included in paragraph 206 and subject to the same duty?

These "bamboo, rattans, reeds," etc., which are imported to the United States are to all intents and purposes "manufactured" and not "unmanufactured." It requires considerable labor to manufacture them into the shape they are in when shipped into this country; they are not raw material; they are not in the natural state, and therefore should not be allowed to be imported free of duty, but should be included with "chair cane or reeds, wrought or manufactured from rattan or reeds," as in paragraph 206, and should, in our opinion, be subject to the same duty.

We wish to call the attention of your honorable committee to this evident inconsistency in the present law, and respectfully urge you to consider the importance of correcting the same by placing a duty on "bamboo, rattans, and reeds," the same as on "chair cane or reeds," in paragraph 206, Schedule D.

All of which is respectfully submitted.

Yours, very truly,

THE HOUGH SHADE CORPORATION,
By CHARLES H. BETTS,
EDWARD F. FLETCHER,
Committee of Directors.

Digitized by Google

WHIPS.

[Paragraph 208.]

AMERICAN WHIP MANUFACTURERS WISH THE RETENTION OF PRESENT DUTIES ON THEIR PRODUCT.

WESTFIELD, MASS., *December 17, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The whip manufacturers of the United States in objection to any change or reduction in the tariff on whips submit the following suggestions in the way of a brief:

First. That they represent the manufacturers of whips in the United States.

Second. That the concerns now interested in the manufacture of whips are separate and distinct and are in no way in agreement or in trust relations.

Third. That the whip-manufacturing industry is in volume about $3,000,000.

Fourth. That the volume of business has not increased materially in the last twenty years.

Fifth. That the small amount of business and the failure of business to increase materially in recent years renders the business unique among the manufacturing industries of the United States.

Sixth. An examination of the causes which have operated to render the business stagnant and of so small volume will disclose conclusively the reasons why the tariff on whips should not be abolished or modified in any way to a reduction of the same.

Seventh. Your petitioners call your attention to the fact that with the coming into general use of the bicycle about twenty years ago, pleasure riding and light driving, in the East particularly, was greatly interfered with, and the use of whips for such driving was very much less and increasingly less on account of the introduction of the bicycle. The whip business at that time and from that cause suffered very seriously, and no sooner had the business approached its normal condition after the introduction of the bicycle when the introduction of the electric street railways again disturbed the business alarmingly. The discontinuance of the use of horses on street cars was universal, as is well known to the committee. The whip-manufacturing industry has never recovered from the loss entailed by the introduction of the electric car and never can, and the constant increase of such railways is a detriment to the whip manufacturer, because the trolley car requires none of that product. The trolley car has supplanted the horse to a great extent for transportation, for pleasure, or profit.

Eighth. During the past five years the whip-manufacturing industry has again been greatly interfered with by the substitution of the automobile for the horse. This substitution which has been going on is constantly and rapidly undermining the business of manufacturing whips. The result of the automobile is seen in the fact that the whip-manufacturing concerns are fewer in number, and the manufacture of high-grade carriage whips is practically a thing of the past. What

Digitized by Google

promises to be the substitution of the taxicab for the horse cab will itself greatly curtail the present whip business.

Ninth. Again, legislation of the country in various States has been of such a character as to render it unprofitable to raise the light harness horse or the track horse.

Tenth. One of the essential and principal ingredients of the whip is reed. The reed used in the manufacture of whips is now duty free. Except for the fact that whip reed is duty free, it would not have been possible for the whip manufacturers to have in any way maintained their position in the market or to have manufactured whips at a profit, even with the present tariff on whips.

ASSOCIATED WHIP MANUFACTURERS,
By HENRY W. ELY, *Attorney.*

BRIAR WOOD.

[Paragraph 700.]

LEWIS T. LA BAR, HACKETTSTOWN, N. J., RECOMMENDS A DUTY OF FIFTY PER CENT ON LAUREL WOOD.

HACKETTSTOWN, N. J., *November 17, 1908.*

House Ways and Means Committee, Washington, D. C.

GENTLEMEN: I wish to call the attention of your honorable committee to the fact that there is now no tariff upon laurel wood, commercially known as "briar" wood, for pipes. There ought to be a tariff on it of at least 50 per cent, because there are millions of tons of it in this country; but on account of the high price of labor in this country and of the cheap labor in Italy we can not compete with the product of that country. At present this wood comes into this country sawed in shape for manufacture into pipes, and therefore it is not "raw material," and that industry here ought to be protected to at least the extent above referred to. There is now imported into this country about $500,000 worth of this wood annually, whereas this money should be kept in this country.

The average cost of blocks sawed in shape is about $2.50 per gross. The business here is practically nothing on account of the lack of protection against the foreign product. The manufactured product (pipes) now has a duty of 60 per cent, which is a reasonable protection to the industry. I wish, therefore, to appeal to your honorable committee to see to it that the above request is granted.

Very respectfully,

LEWIS T. LA BAR.

W. E. MINGEA, OF ABINGDON, VA., RECOMMENDS THAT BRIAR WOOD BE PLACED ON THE DUTIABLE LIST.

ABINGDON, VA., *December 22, 1908.*

Hon. WALTER P. BROWNLOW, M. C.
Washington, D. C.

DEAR SIR: Herewith copy of correspondence with you and the Hon. Campbell Slemp, dated February 4, 1907; also copy of letter September 25, 1908, to Hon. C. B. Slemp; also copy of letter to parties in

Digitized by Google

southwest Virginia and east Tennessee, all on the subject of getting out ivy roots in your and Mr. Slemp's territory, and the necessary tariff to revive this industry.

Hoping this will appeal to you, I am,

Yours, very respectfully,

W. E. MINGEA,
President and General Manager
Virginia-Carolina Railway Company.

FEBRUARY 4, 1907.

Hon. W. P. BROWNLOW, M. C.,
House of Representatives, Washington, D. C.

DEAR SIR: I beg to hand you herewith carbon copy of letter I have to-day written Congressman Slemp, which explains itself. It would be of great assistance to many of your constituents if this business could be revived. Slight inquiry in this connection would convince you of the good it would be to your people.

Yours, truly, W. E. MINGEA.

FEBRUARY 4, 1908.

Hon. CAMPBELL SLEMP, M. C.,
House of Representatives, Washington, D. C.

DEAR SIR: I herewith inclose article regarding brier wood for pipes. There was a large business in this territory, especially along the White Top Fork of Laurel Creek in Washington County and the Tennessee Fork of the same creek in Johnson County. There was a plant at Laurel Bloomery, Tenn., and one at Abingdon, Va., for getting out blocks and making these pipes. The root used was the mountain ivy root. This industry was a great blessing to the people living in Washington County, Va., and Johnson County, Tenn. This business was killed by the Wilson bill admitting these blocks free. I have been intending to take this matter up with you for some little time. Can not something be done by you and Mr. Brownlow to revive this industry, and thus furnish work and money to the people in that district?

I am sending a copy of this letter to Congressman Brownlow, asking his interest in the matter also.

Yours, truly, W. E. MINGEA.

SEPTEMBER 25, 1908.

Hon. C. BASCOM SLEMP,
Big Stone Gap, Va.

DEAR SIR: At the coming session of Congress I believe it would be worth your time and of value to your constituents to look into the matter of pipe blocks for making "French briar-root pipes." Formerly there was a large business in southwest Virginia and east Tennessee in the getting out and shipping of ivy roots for these pipe blocks, and one or two small plants in the same territory for cutting the roots into pipe blocks. The chief item of revenue was to the local people in the mountains in getting out, hauling, and selling these ivy roots. When the Wilson tariff bill was passed, as the writer

Digitized by Google

is advised, these pipe blocks were put upon the free list, and since that they have been coming in from foreign countries cheaper than our people could get them out of the mountains, haul them to the railroad, and ship them. If there is an infant industry in the United States which needs a little protection, and which would benefit the working man and farmer, it is this pipe-block business.

I would suggest that it would be well for you to discuss this question with Mr. W. P. Brownlow, as it affects his district as well as yours.

Yours, very truly, W. E. MINGEA.

DECEMBER 22, 1908.

Messrs. R. E. Donnelly, J. Walter Wright, E. E. Butler, Mountain City, Tenn.; B. W. Wills, Nat Wills, Silver Lake, Tenn.; G. H. Robinson, Laurel Bloomery, Tenn.; G. Frank Robinson, A. A. Mock, S. L. Mock, J. A. Dowler, D. E. Pennington, Damascus, Va.; J. C. Lewis, Taylors Valley, Va.; Gentry Brothers, Park, Va.; W. F. Blevins, Green Cove, Va.; Hassinger Lumber Company, Konnarock, Va.

GENTLEMEN: Ten years ago there was a considerable business in your country getting out ivy roots for pipe blocks. I am told that this was killed by the Wilson bill taking off the tariff on imported pipe blocks and that when the Dingley tariff was established the duty was not replaced on pipe blocks. I do not know as to the correctness of these details, but I do know the business has been killed. The business in ivy roots gave employment to a good many people and distributed in the aggregate a considerable amount of money. I have taken up the matter with the Hon. Bascom Slemp, Member of Congress of the Ninth Virginia District, and Hon. W. P. Brownlow, of the First Tennessee District, asking them to use their efforts to have the tariff put upon imported pipe blocks so as to revive the industry in southwest Virginia and east Tennessee. I would recommend that you write to these two Members of Congress along the same line and that you get other parties in your section to write to them also.

Yours, truly,

W. E. MINGEA.

Digitized by Google

SCHEDULE E.

SUGAR, MOLASSES, AND MANUFACTURES OF.

Digitized by Google

Digitized by Google

SCHEDULE E—SUGAR, MOLASSES, AND MANUFACTURES OF.

SUGAR.

[Paragraph 209.]

STATEMENT OF D. D. COLCOCK, OF NEW ORLEANS, LA., REPRESENTING THE NEW ORLEANS SUGAR EXCHANGE.

MONDAY, *November 16, 1908.*

Mr. COLCOCK. Mr. Chairman and gentlemen of the committee: We learned through the press dispatches that it was the desire of this committee to hear only one man for each industry, if it were possible to do so. For that reason I have been sent here as the spokesman for the cane sugar industry of Louisiana. We were also informed that your chairman had said that this hearing was to "cover the entire sugar question."

Both of these facts became known to me only on the 9th instant, and found me, as secretary of our sugar exchange, quite busy, as we are now at the height of our selling season. If, therefore, I prove a poor representative, I hope you will set it down rather to my being suddenly called on, than to my inability to come up to your requirements, for I know of no man who can "cover the entire sugar question" without special preparation. As nearly as I can approximate, five separate questions are involved:

1. The schedule proper;
2. The administration section of the law;
3. The propriety of maximum and minimum rates of duty in this particular schedule;
4. The reciprocity concession to Cuba; and
5. The recommendation of ex-Secretary Taft as to Philippine concessions.

Schedule E of the tariff law of July 24, 1897, in the framing of which I had my full share, was satisfactory to the consumer as well as to the producer, to the importer, and to the refiner; and was practically what this committee sent over to the Senate just after the extra session was convened. We had been living from 1883 to 1890 under a higher rate of duty, but the bounties given on beet sugar exported from the European continental states offset the difference, and the countervailing duties provided for in section 5 stopped that drain. The duty was specific, the polariscope test effectual, and the extension of the reciprocity agreement with the Hawaiian Islands only affected about 180,000 tons of sugar, which we were assured was

Digitized by Google

the maximum possible production for export. The conditions at that time were satisfactory and would be now, but modifications have been effected without the enactment of a general tariff law. The Hawaiian Islands having lost their independence, became the beneficiaries of the law equally with ourselves, and, wonderful to relate, have doubled and more than doubled their shipments to the mainland. Then, as a result of the Spanish war, Porto Rico came into our arms; her sugar no longer paid duty, and her export to the United States has been multiplied by five. Another result was our getting so mixed up with an Asiatic archipelago that her product was granted a reduction of 25 per cent of the Dingley rate—but that is another story.

Of our increased consumption of 600,000 tons, 370,000 have been therefore duty free. As if the schedule had not been sufficiently defaced, in 1903 Cuba got her 20 per cent off, practically an admission of 340,000 tons duty free. It is fair, therefore, to say that our entire increase of consumption has been of free sugar. The world's production has more than kept pace in the interval with the increased consumption, and the natural consequence has been a lower range of values.

Col. James D. Hill told you in 1902 that it cost the Louisiana planter 3½ cents per pound to produce 96-test sugar. To-day it is quoted 3⅝ cents on the New Orleans market.

Let us now pass to the second question, the administrative section of the law. On June 7, 1897, at this committee's instance, the House passed H. R. 379, fixing 92 per cent of the rate of duty on sugar as the basis for reciprocity conventions—that is, a concession of 8 per cent should be made; eventually this section lumped up all the reciprocity articles making a maximum of 20 per cent; in 1903 the maximum (20 per cent) was granted Cuba up to December 27, 1908. We had defeated Cuban reciprocity the year before, but became reconciled to it because the treaty stipulated that no foreign sugar should be imported which paid less than the full Dingley rates during the life of the treaty. We now hear that some of our Cuban friends are asking for a larger concession, which would require a change in the administrative section of the law. We would much prefer that the treaty be abrogated.

Reciprocity has somehow become a fad with tariff revisionists. To make a way for it we hear of propositions to establish maximum and minimum rates, which bring us to question 3.

I fail to find sugar accepted by the European continental states as an article which lends itself to such a purpose. Under the Brussels Convention a surtax was placed on sugar and the duty so increased effectually bars sugar out. Why, then, should this article be made the basis for reciprocity agreements in the United States? I don't know enough about it to argue the case, but until it be settled I don't see how you can expect to consider the question of establishing anything but the present rate as the minimum and adding thereto such an increment as shall make it an object for other countries to offer us freer entry of our products into their territory; otherwise we shall resist any provision of the sort.

Question 4, as to reciprocity with Cuba, comes next: The time limit expires December 27. What you will recommend we do not know, but we do know that the Cuban is not the chief beneficiary of the conces-

Digitized by Google

sion; that the greater part of it is absorbed by the importer. That this was never contemplated by you in 1903 goes without saying.

Now, as to question 5: In view of the very recent election we have held for a successor to Mr. Roosevelt and its result, I feel that I must touch very lightly upon anything concerning the Philippine proposition. It is now "In gremio legis" (on the lap of the law), and is very apt to be held there for some time to come. Who is going to get the award admits of reasonable doubt. All I can, therefore, say is that we are just as dead set against it now as we ever have been.

It was my very good fortune to be here in Washington on the 13th, 14th, and 15th of May, 1908. The President received the governors of the States and Territories, including Alaska, Porto Rico, and Hawaii, and they in turn adopted the following "declaration of principles," to wit:

We, the governors of the States and Territories of the United States of America, in conference assembled, do hereby declare the conviction that the great prosperity of our country rests upon the abundant resources of the land chosen by our forefathers for their homes, and where they laid the foundation of this great nation.

We look upon these resources as a heritage to be made use of in establishing and promoting the comfort, prosperity, and happiness of the American people, but not to be wasted, deteriorated, or needlessly destroyed.

We declare our firm conviction that this conservation of our natural resources is a subject of transcendent importance, which should engage unremittingly the attention of the nation, the States, and the people in earnest cooperation. These natural resources include the land on which we live and which yields our food; the living waters which fertilize the soil, supply power, and form great avenues of commerce; the forests which yield the material for our homes, prevent erosion of the soil, and conserve the navigation and other uses of the streams, and the minerals which form the basis of our industrial life and supply us with heat, light, and power.

I quote from the Republican campaign text-book, 1908, pages 423, 424.

No mention is made of the governor of the Philippines, nor is the archipelago included in the Territories enumerated.

As I have now set forth our attitude on the sugar tariff question to the best of my ability I will not further claim your attention.

The CHAIRMAN. I hope that you may understand exactly what the chairman has had in mind with respect to the hearings upon your industry. I refer to reports to the effect that but one person would be heard upon each industry. The idea was that where a number of persons were together advocating the same phase of an industry, if they could put it all into one brief or have one spokesman there would be a saving of the time of the committee, and it would allow him to present the matter more thoroughly than to have each one go over it. But no attempt was made to limit the time that any person might be heard. I make this suggestion for the benefit and consideration of those who desire to appear before the committee.

And in that connection also, and not in connection with what you have said, Mr. Colcock, I want to say, and I would like to have the press send this out if they deem it of sufficient importance, that the committee will welcome any persons with knowledge and information upon this subject who desire to present any phase of it, and in saying that, I have reference not only to the subject of sugar, but the entire schedule, whether in advocacy of a lower rate

Digitized by Google

of duty or with respect to free trade on some articles, and also with reference to the present duty and increases in duty. We want a full hearing. We want all the facts before the committee in order that the committee may act intelligently and fairly upon the questions. I say this at this time and through the press, because I see that some people are already criticising the committee and prophesying as to the action of the committee.

Mr. BOUTELL. Upon that point, and in order that it may be given out through the press at the same time, I think it should be stated that this committee will be glad to hear all who have any suggestions to make, whether they represent a special industry or not.

The CHAIRMAN. Certainly; any citizen of the United States who desires to be heard. The doors are open, the hearings are public, and our action will be known to the public. We propose to stand upon the facts that are brought out before the committee.

Now, you make a statement in your brief, Mr. Colcock, that Colonel Hill stated to you in 1902 that it cost the Louisiana planter 3½ cents per pound to produce 96 test sugar. What is the cost to-day? Is there any difference?

Mr. COLCOCK. No, sir; I do not think there is any difference. We may have effected some economies in labor, in the number of men required to handle the cane in the sugarhouses, but we have not effected any great economies, because we have to pay higher wages and a higher price per ton of cane purchased.

The CHAIRMAN. Has there been any improvement in the methods since 1902?

Mr. COLCOCK. The sugar industry of Louisiana is on as high a level as any in the world. We have as good sugarhouses as any country in the world. In fact, our experimental station teaches other nations how to make sugar.

Mr. UNDERWOOD. How many degrees of polarization does the No. 16 Dutch standard come to?

Mr. COLCOCK. It is entirely a matter of color. The Dutch standard runs from low, dirty black sugar up to white sugar, No. 20 being white sugar. No. 16 Dutch standard is generally sugar polarizing 96 to 98½. The color of the sugar does not indicate the polarization at all. I showed in the hearings of 1887 a sugar which contained 15 per cent of foreign substances, water and other things, but yet was white, and it polarized 83 or 84. The polarization has nothing to do with the color.

Mr. UNDERWOOD. The present law provides that there shall be an additional tax of 1.95 cents per pound on all sugar brought into this country above the No. 16 Dutch standard, or refined sugar. Now, where do you refine refined sugar?

Mr. COLCOCK. Refined sugar is simply a raw sugar which has been passed over boneblack, which takes out all of the coloring matter, and at the same time filters out all of the foreign matter in the sugar. The real color of sugar is white, but there is a pellicle of molasses which adheres to the crystals and gives it a dark color. If you will take a small quantity of brown sugar and soak it a little while, and then put into a handkerchief, you will find that it has turned white. All that the refiner does is to remove molasses and with it the color.

Mr. UNDERWOOD. You represent the Louisiana sugar interests?

Mr. COLCOCK. Pretty much the whole interest.

Digitized by Google

Mr. UNDERWOOD. Do you represent any refining interests?

Mr. COLCOCK. The refiners are members of our exchange, and buy from 70 to 85 per cent of the crop.

Mr. UNDERWOOD. Who is the principal purchaser of the Louisiana sugar crop?

Mr. COLCOCK. The American Sugar Refining Company.

Mr. UNDERWOOD. That has practically a monopoly in this country on the business of refining sugar, has it not?

Mr. COLCOCK. I would not say that, because there are so-called independent refiners.

Mr. UNDERWOOD. How much of the sugar refined in this country is refined by the American Sugar Refining Company?

Mr. COLCOCK. I should say, roughly, about 60 per cent.

Mr. UNDERWOOD. And is there 40 per cent refined by the individual refiners?

Mr. COLCOCK. Sugar that goes into direct consumption, and is refined by persons who are not identified with the American Sugar Refinery—about 40 per cent.

Mr. UNDERWOOD. Does that include the beet sugar interests?

Mr. COLCOCK. Including the beet sugar interest.

Mr. UNDERWOOD. As to the cane sugar, what percentage of it is refined in this country by the American sugar refineries?

Mr. COLCOCK. Native product?

Mr. UNDERWOOD. Yes.

Mr. COLCOCK. At present we are making, I should say, about 70 per cent of the crop into 96 sugar, fit only for refining, not fit to eat.

Mr. UNDERWOOD. But I did not ask that. I asked how much of the refined cane sugar in this country is refined by the American Sugar Refining Company?

Mr. COLCOCK. I could not discriminate between cane and other sugars. Nearly all of our receipts in the United States are cane sugar. We do not import much beet sugar.

Mr. UNDERWOOD. Isn't it a fact that the sugar raised in Louisiana, the cane sugar, is practically all refined by the American Sugar Refining Company?

Mr. COLCOCK. Not all of it. The trade takes plantation sugar over 16 Dutch standard for direct consumption.

Mr. UNDERWOOD. I am talking about what is refined, not what the trade takes in brown sugar, or sugar of the Dutch standard. I am referring to sugar that is actually refined. Does not the American Sugar Refining Company practically consume or refine all of the cane sugar that is refined in this country?

Mr. COLCOCK. The cane sugar produced in Louisiana?

Mr. UNDERWOOD. Yes.

Mr. COLCOCK. That is a question. There is only one other refinery who buys that sugar, and that is the so-called "Henderson Sugar Refinery," and the proportion of their purchases to that of the American Sugar Refining Company is about one to eight.

Mr. UNDERWOOD. In other words, the American Sugar Refining Company refined about 90 per cent of it?

Mr. COLCOCK. Of what goes into the pot—is melted.

Mr. UNDERWOOD. Is not the value of the cane sugar in Louisiana, the price of it for refining purposes, practically fixed by the American Sugar Refining Company and not by the markets of the world?

Digitized by Google

Mr. COLCOCK. I should say absolutely; not practically, but absolutely.

Mr. UNDERWOOD. Absolutely fixed by the American Sugar Refining Company?

Mr. COLCOCK. Absolutely.

Mr. UNDERWOOD. Therefore isn't it a fact that last year the Louisiana sugar producer sold his sugar to the American Sugar Refining Company at a price largely below the world's price, with the tariff duties added?

Mr. COLCOCK. Not only last year, but to-day.

Mr. UNDERWOOD. Please state to the committee how much the difference was between what you sold your sugar to the American Sugar Refining Company for and the world's price, with the duty added.

Mr. COLCOCK. In Hamburg, on Thursday of last week, the quotation for sugar was 4.16 cents. The New York quotation on our board for 96 test sugar was 3.94 cents. The price paid by the American Sugar Refining Company for very nearly all of the sugar offered that day on the basis of 96 test was 3.62½ cents.

Mr. UNDERWOOD. Then the Louisiana sugar planter and producer, by reason of the sugar trust being the largest purchaser in the American market, does not receive the full benefit of the tariff under the Dingley law?

Mr. COLCOCK. By no means. I have explained how much we get of it. The Dingley rate is $1.68½, but owing to this concession to Cuba of 34 points we have to sell on the basis of what the American refiner and the refiners in general—I do not speak of the American Sugar Refining Company alone, but all of the American refiners pay the same price—practically, for the sugars, based upon the Cuban value. Porto Rico, for instance, sends her sugar in free. She does not get $1.68½ protection, but she gets about $1.34, probably a little more. But the whole rake-off does not end. They rake off three-sixteenths to five-sixteenths of a cent more, on the ground that they have to transport the sugar to New York and melt it there; so the price they pay us is three-sixteenths of a cent, on the average, under the Cuban price. Last year, owing to the panic, they increased that rake-off. This year they have increased the rake-off again.

Mr. UNDERWOOD. And the cane sugar producer of this country is absolutely in his hands and dependent upon them to fix the price for the market.

Mr. COLCOCK. They are the best buyers that we have.

Mr. UNDERWOOD. And you could not sell the product unless you sold to them?

Mr. COLCOCK. That I am not prepared to say.

Mr. UNDERWOOD. Is not there very little refined sugar imported into this country in comparison with the sugar below the 16 Dutch standard or molasses?

Mr. COLCOCK. There would be no reason to import it, and lose money on it.

Mr. UNDERWOOD. Are the importations of refined sugar very small?

Mr. COLCOCK. Very small.

Mr. UNDERWOOD. But the principal importations are below the 16 Dutch standard and molasses?

Mr. COLCOCK. Yes.

Digitized by Google

Mr. UNDERWOOD. And when they are imported, as a practical proposition, the refiners in this country get the entire tax of the 1 per cent additional tax above the 16 Dutch standard?

Mr. COLCOCK. There is no 1 per cent upon that. The differential for refining purposes is between 1.95 cents, the duty on refined, and 1.68½ cents, the duty on 96° raw sugar.

Mr. UNDERWOOD. Now, I would like to have you explain that. As I understand the law, it is this: That up to a polarization of 75, or below, or anywheres up to that point, the tax is 0.95 of 1 per cent, and on each additional degree of polarization there is three and one-half thousandths of 1 per cent added?

Mr. COLCOCK. That is correct.

Mr. UNDERWOOD. But when you get to the 16 Dutch standard of refined sugar, there is an additional tax of 1.95 cents added?

Mr. COLCOCK. Not an addition of 1.95, but an additional tax of the difference between 1.68½ and 1.95, say 0.26½.

Mr. UNDERWOOD. I wish you would explain that.

Mr. COLCOCK. That question was pretty well thrashed out, Mr. Underwood, when it was up before, because hardly anybody was willing to agree with anybody else as to what the difference was, yet it was the simplest thing in the world. I never could see what the difficulty was in understanding it. I buy 100 pounds of sugar and pay 1.68½ cents duty on each pound of raw sugar. I make it into refined sugar. I do not make it into 100 pounds of refined sugar——

Mr. CLARK. How many pounds do you make it into?

Mr. COLCOCK. The refiner, I think, says 94½ pounds from 96° cane sugar, but the beet-sugar people 88 pounds from 96° beet sugar, because the beet sugar is more refractory; they do not get as much. But as to cane sugar, I think the refiner will admit 94½ pounds. Therefore you can see from this difference between 1.68½ cents and 1.95 cents the refiner has to deduct this 5½ pounds of sugar that he loses in the process of refining, which would leave him practically about one-eighth of 1 cent a pound as his protection against the foreign refiner.

Mr. MCCALL. You deduct the duty on this 5½ pounds of raw sugar, is that it, in arriving at the one-eighth of a cent a pound? This seems to be very complicated, and I do not understand it. You pay 1.68½ cents a pound to get the 100 pounds in, and then you make, as I understand it, 94½ pounds from that, and you deduct the duty on 5½ pounds?

Mr. COLCOCK. No, sir; the difference between 1.68½ and 1.95 is 0.26½ cent; 0.14 cent of that is lost in refining.

Mr. MCCALL. That is, you count in the value of the raw material and not merely the amount of duty paid on the 5½ pounds?

Mr. COLCOCK. I am talking about the differential and the protection the refiner gets. The differential is, as I stated, the difference between the figures of 1.68½ and 1.95, but the refiner loses in the process of refining 0.14 cent's worth of sugar; consequently he is protected 12½ cents on the hundred pounds, or one-eighth of a cent a pound protection.

Mr. UNDERWOOD. Now, I want to ask you this: If we increase the duty on raw sugar, or sugar below the 16 Dutch standard, and repeal the duty on the differential, would not that largely increase the revenues of the Government?

Digitized by Google

Mr. COLCOCK. I do not see how. I do not see where you get any idea from that you would do so.

Mr. UNDERWOOD. Is not most of the duty that is collected now collected on raw sugar, or molasses, that is below the 16 Dutch standard?

Mr. COLCOCK. As I have just told you, practically all of it.

Mr. UNDERWOOD. Then if we increased the amount of duty on sugar below the 16 Dutch standard and repealed the differential, would not that secure a greater revenue for the Government than we get now?

Mr. COLCOCK. I think you would put the American sugar refiner out of commission.

Mr. UNDERWOOD. That is not my question.

Mr. COLCOCK. Please let me answer the question in my own way.

Mr. UNDERWOOD. I want to ask if we would not obtain more revenue. Please answer that question first.

Mr. COLCOCK. I have my doubts.

Mr. UNDERWOOD. If the duty on raw sugar was increased, you have got to import the amount of sugar——

Mr. COLCOCK. No; we have not. You may perhaps check consumption by raising the duty.

Mr. UNDERWOOD. The amount of sugar that is produced in this country is only about one-third of the consumption of the country, isn't it?

Mr. COLCOCK. I do not know what you mean by "produced in this country." Adding up Porto Rico, 205,000 tons, Hawaii, 450,000 tons, which would be about 650,000 tons——

Mr. UNDERWOOD. Is not the production of cane sugar in Louisiana about 335,000 tons?

Mr. COLCOCK. In good years; yes, sir.

Mr. UNDERWOOD. And is not the production of beet sugar in this country about 440,000 tons?

Mr. COLCOCK. Correct.

Mr. UNDERWOOD. Making a total production in the United States of about 775,000 tons, is it not?

Mr. COLCOCK. Porto Rico and Hawaii are Territories now. Just exactly what do you mean by the United States?

Mr. UNDERWOOD. What do you add for Porto Rico?

Mr. COLCOCK. Two hundred and five thousand tons, this year.

Mr. UNDERWOOD. And what do you add for Hawaii?

Mr. COLCOCK. Four hundred and fifty thousand tons, as nearly as I know.

Mr. UNDERWOOD. Well, the total consumption in the United States is about 3,000,000 tons, is it not?

Mr. COLCOCK. That is correct.

Mr. UNDERWOOD. Then, under those figures, the importations coming into the United States are about equal to the home production?

Mr. COLCOCK. It is about 400,000 tons more.

Mr. UNDERWOOD. Do you mean that the importations are 400,000 tons?

Mr. COLCOCK. According to those figures you have there, they will total up thirteen hundred thousand tons, will they not?

Mr. UNDERWOOD. Fourteen hundred and forty.

Mr. COLCOCK. Well, 1,440,000 tons from 3,000,000 tons would leave you 1,560,000 tons.

Mr. UNDERWOOD. In other words, the production under the United

Digitized by Google

States flag, as you may call it, is about equal to the importations from foreign countries?

Mr. COLCOCK. On the basis upon which you figure, yes.

Mr. UNDERWOOD. As we can not produce as much raw sugar in this country as we consume, we would have to bring in that additional amount, and if we increase the tax on raw sugar we would increase the revenue, would we not?

Mr. COLCOCK. Mr. Underwood, you can not take one element of a problem and solve the problem in mathematics; you have got to have more than one element. And it is the same way here. You may check the consumption of any article by raising the duty. You are assuming that the consumption will not be checked by the increase in duty.

Mr. UNDERWOOD. But I asked you a double question. I did not assume that the consumption would not be checked by an increase of duty, but assuming that we repeal the tax on refined sugar, the differential, and add the amount of the differential to the raw sugar, making the tax to the people exactly the same as it is now, and placing it in a different place, I ask you, if we did that, if we wiped out the differential that goes to the American Sugar Refining Company entirely, and placed it on raw sugar, if we would not increase the revenue of the Government?

Mr. COLCOCK. I have my doubts.

Mr. UNDERWOOD. Why should we not increase it?

Mr. COLCOCK. It might result in the annihilation of the American sugar-refining industry altogether, and then we would be at the mercy of the foreign refiner to charge whatever price he fixed.

Mr. UNDERWOOD. Now, let me ask some questions along that line. The principal refiner of cane sugar in this country is the American Sugar Refining Company. How much capitalization has it?

Mr. COLCOCK. I do not know.

Mr. UNDERWOOD. Do you know what the capitalization of the competitors is in foreign countries?

Mr. COLCOCK. I do not.

Mr. UNDERWOOD. Do you know the cost of refining in this country as compared with refining in foreign countries?

Mr. COLCOCK. I do not.

Mr. UNDERWOOD. Do you know the cost of freight, the cost of transportation, of refined sugar from foreign countries to this country?

Mr. COLCOCK. I do not.

Mr. UNDERWOOD. Then you are not prepared to answer the question that I asked?

Mr. COLCOCK. I do not know. I am prepared to give you my idea upon it.

Mr. UNDERWOOD. You have not the facts upon which you can base an answer?

Mr. COLCOCK. I have the facts—well, experience has taught me clearly that the high rate of duty would necessarily cause the consumer to pay more for the goods, and so buy a less amount.

Mr. UNDERWOOD. I did not ask you about the high rate of duty. My question was with reference to the taking off of the duty on refined sugar and putting a similar amount of duty on raw sugar, and reduce it on refined sugar.

Mr. COLCOCK. But that does not make any difference.

Digitized by Google

Mr. UNDERWOOD. I mean reducing the tax on refined sugar to an amount that it would be on raw sugar; in other words, wiping out that difference, and when you got to the 16 Dutch standard, not increase the duty.

Mr. COLCOCK. I can only say, as far as the differential is concerned, that I think it is a reasonable reward to give to an industry such as the refining of sugar; that that industry is worth to this country the one-eighth of a cent, but the methods they pursue in beating down the price at which they buy our sugar is damnable.

Mr. UNDERWOOD. You make a statement as to the necessity for the protection for this differential without knowing the cost to them of refining sugar, or without knowing the cost to the competitors abroad, and without knowing the freight rates upon refined sugar into this country.

Mr. COLCOCK. If you will turn to the hearings had in 1897, when you had Mr. McCahan on the stand, I think you will find that information.

Mr. UNDERWOOD. But that information is 13 years old, not up to date, and we can not rely upon it.

Mr. COLCOCK. I remember Mr. McCahan's testimony very well. He said that unless he worked his refineries to full capacity day in and day out, that he could not refine sugar at three-eighths of a cent a pound; that it cost him five-eighths of a cent a pound. That is a refiner's statement, and he knows more about it than I do.

Mr. FORDNEY. Mr. Colcock, if the differential was wiped out, the differential between 1.95 and 1.68½, would it not affect the price of raw sugar in the American market?

Mr. COLCOCK. Of course it would.

Mr. FORDNEY. Would it not cripple the beet sugar industry absolutely?

Mr. COLCOCK. Entirely; all granulated sugar.

Mr. FORDNEY. Then it would be unwise to do it.

Mr. COLCOCK. Not only unwise, but, in my belief, foolish.

Mr. UNDERWOOD. Why would it cripple the Louisiana sugar interests, when they do not make any refined sugar at all, but sell purely to the refiner?

Mr. COLCOCK. I have no doubt that we would make refined sugar if we could start the industry anew. But we are very uncertain as to what you gentlemen are going to do up here. A man hesitates before he will tear down a $150,000 sugar house, and put up a refinery, spending $150,000 more, say $300,000.

Mr. UNDERWOOD. The present conditions are, that the Louisiana people are not refining sugar at all?

Mr. COLCOCK. I can cite you one sugar house, the Adeline factory, ready to refine it to-morrow if they thought their business could be a permanent one, and they may be doing it now.

Mr. UNDERWOOD. The Louisiana people are practically refining no sugar, and it all goes to the American Sugar Refining Company?

Mr. COLCOCK. They are not prepared to do it.

Mr. UNDERWOOD. If you took the differential off of sugar above the 16 Dutch standard, and put it on below, you would have the same protection against foreign sugar that you have to-day?

Mr. COLCOCK. We would have more protection.

Digitized by Google

Mr. UNDERWOOD. Have more. Therefore, why would the removal of it destroy the business of the Louisiana people?

Mr. COLCOCK. If we destroy the business of the American sugar refiners, then we would be at the mercy of the foreign refiner for everything, and he might not be as liberal as the American Sugar Refining Company.

Mr. UNDERWOOD. You assume that it would destroy the American Sugar Refining Company, but you have no data to show that it would?

Mr. COLCOCK. I am about as sure of it as I am of my name.

Mr. UNDERWOOD. But you have not stated to the committee any facts showing that the American Sugar Refining Company could not compete with the foreign.

Mr. COLCOCK. I am told that the refiner loses 14 cents on every hundred pounds refined. The differential gives him back that, and 0.12½. You propose to take off the differential, and force him to lose 0.14 cent a pound for the privilege of having the refining on American soil and employing American labor.

Mr. UNDERWOOD. I am asking a question to ascertain the conditions. I want to get the facts, and find out the actual cost of refining in this country and abroad; but as to the beet sugar question I want to ask you this: Is not the market for beet sugar almost entirely confined to the West?

Mr. COLCOCK. The beet sugar people will go on the stand, and they know more about that than I do.

Mr. FORDNEY. You stated a few minutes ago that upon your raw sugar made from cane in the South the price was controlled absolutely by the refiners?

Mr. COLCOCK. Undoubtedly.

Mr. FORDNEY. Is it not true that the price of beet sugar is also controlled by the refiners, and that the entire product of Cuba exported comes to the United States?

Mr. COLCOCK. If you will look back at the evidence I gave here in 1902, I think it was, you will see that I show that where the American refiners attempted in the months of July and August to take a little bit more than the differential the British buyers stepped into the Cuban market and bought several cargoes and shipped them to Great Britain, which was immediately followed by an increased offer on the part of the American Sugar Refining Company. They can rake off from the Cuban price up to 0.32, but the very minute that it touches 0.32 or 0.34 then the English will come into the market with cheaper freight and land it in the refineries in Great Britain.

Mr. BOUTELL. You say that the methods of the Sugar Refining Company in dealing with the producer of the raw material are "damnable?"

Mr. COLCOCK. That is the sentiment of every man who sold sugar upon the floor of our exchange last Thursday.

Mr. BOUTELL. Why do you submit to those methods?

Mr. COLCOCK. We are entirely unable to do better, excepting where a man has free money. For instance, last Thursday one man stored 2,000 packages of sugar sooner than sell it at the low price offered by the refiners. If we were all as well off as he we would store all of our high-grade sugar to-day.

Digitized by Google

Mr. BOUTELL. Is there anything in the nature of the crop or the product before it goes to the refiner which precludes its being stored?

Mr. COLCOCK. Well, yes; our 96 test sugar will not hold up the polarization—that is, it would lose the polarization—and every degree down, for instance, from 96 down to 86, means 10 less in value.

Mr. BOUTELL. That is, your raw material has to be disposed of to the refiner within a limited time?

Mr. COLCOCK. Yes, sir.

Mr. BOUTELL. Has any attempt been made by the producers of cane and beet sugars to form an association or combination for the purpose of regulating the price?

Mr. COLCOCK. So far as the beet sugar people are concerned, they can answer for themselves. I think they have done it, and done it successfully.

Mr. BOUTELL. Can you answer as to whether there has been a combination between the beet sugar people and the cane sugar people?

Mr. COLCOCK. We can not make that combination, because we are somewhat an agricultural interest.

Mr. BOUTELL. Then there is no combination between the producers of beet and cane sugar?

Mr. COLCOCK. No; none whatever.

Mr. BOUTELL. Are you familiar with the Farmers' Union of Texas, Louisiana, and Arkansas, formed for the purpose of controlling the price of cane?

Mr. COLCOCK. No, sir. I rode upon a car with one of them, and that is as much as I know. I heard him talk.

Mr. BOUTELL. You know what their method is, do you not?

Mr. COLCOCK. I know what he said it was. He said he would get more money for his cotton, but from the way he was going at it it seemed to me to be very stupid.

Mr. BOUTELL. Has any such method been considered by the sugar people?

Mr. COLCOCK. The only thing considered is the building of a refinery and refining our own sugar, as the beet-sugar people do.

Mr. BOUTELL. If you have information from the standpoint of the ultimate consumer of sugar—that is, the man who buys it at the retail store—I will ask you if you are familiar with the methods of handling sugar after it leaves the refinery?

Mr. COLCOCK. I suppose you refer to the retail grocer?

Mr. BOUTELL. From whom does the retail grocer buy in the ordinary course of trade—from the refiner or the jobber?

Mr. COLCOCK. The real grocer—the corner-shop man—can not buy from the refiner, as I understand it, as he does not buy enough to make it worth while to carry him on their books.

Mr. BOUTELL. From whom does he buy his sugar?

Mr. COLCOCK. From the wholesale grocer—the jobber, as you may call him.

Mr. BOUTELL. And from whom does the jobber get it?

Mr. COLCOCK. From the refiner. There is no intervention between the refiner and the wholesale grocer; he buys direct.

Mr. BOUTELL. And I presume, from your evidence to the effect that the refiner dictates the price which they shall pay for the raw material, that they also dictate the price which the jobber shall pay for refined sugar?

Digitized by Google

Mr. COLCOCK. Not only that, but they also tell him how much he shall sell it for.

Mr. BOUTELL. So that there is then a combination which fixes the price which the jobber charges the retailer?

Mr. COLCOCK. A combination in the refining industry; yes.

Mr. BOUTELL. So that all retailers that buy their sugar, buy it at a uniform price, that is the same grade of sugar?

Mr. COLCOCK. Well, yes; practically.

Mr. UNDERWOOD. In other words, the American Sugar Refining Company dictates the price at which you shall sell your sugar to them, and also dictates the price at which the jobber shall sell the sugar to the public?

Mr. COLCOCK. They do; but they do not tell us that we have to sell it to them; they say we can sell it to somebody else.

Mr. UNDERWOOD. But you are bound to sell it to them because you have no other purchaser, so that they dictate the price to you at which they buy and they dictate the price to the jobber at which he shall sell?

Mr. COLCOCK. That is my impression; yes.

Mr. BOUTELL. So that the dictation with reference to this material goes on down until it leaves the hands of the retail dealer?

Mr. COLCOCK. It looks to me that way, Mr. Boutell.

Mr. BOUTELL. So that the only rivalry which would in any manner fix the price is the competition between the retail dealers themselves?

Mr. UNDERWOOD. Practically, there is no competition between the retail dealers on sugar.

Mr. COLCOCK. I do not think that you gentlemen understand what a retail dealer is.

Mr. BOUTELL. We know that we pay the retailers' bills.

Mr. COLCOCK. The largest and best paying consumer is the poor man who buys the small amounts of sugar, 10, 15, and 25 cents' worth—the consumer who comes in and buys a dollar's worth of goods, some coffee, some tea, and 2 bits' worth of sugar, or 4 pounds or 3 pounds of sugar. They do not buy sugar by the pound, but by the 2 bits' or 4 bits' worth.

Mr. BOUTELL. But that does not alter the statement that I made in my former interrogatory, that the only competition affecting the price of sugar, the only possible competition, whether it exists or not, is the competition among the retail dealers.

Mr. COLCOCK. No; the competition that exists is between the candy man, who likes to buy our sugars, for one, and then certain grocery trade which takes our sugar above No. 16 Dutch standard—they take some of this sugar and sell it into the trade. They are the competitors of the American Sugar Refining Company. Within the last week I have seen sugar on tables in our exchange fit for Mr. Roosevelt to eat, perfectly refined sugar, good sugar, and bought by the refiner and melted as 96 test sugar is melted. You see that whenever you begin tariff agitation, even a mild one like this, you drive the speculator out of the market, and when you drive the speculator out of the market all the competition we have is between refiner on one side and the candy man and the old-time grocer, who buys the sugar for distribution to the trade, on the other.

Mr. BOUTELL. In speaking of the sugar from Hawaii, and the con-

Digitized by Google

cession to Cuba, and the admission of sugar free of duty, has there been any great difference in the retail price of sugar?

Mr. COLCOCK. I am a poor hand to answer that, because I never buy any sugar. I do not know what the retail price of sugar is.

Mr. BOUTELL. You simply do not know?

Mr. COLCOCK. I do not know what the retail price is.

Mr. FORDNEY. Is it not your opinion that any reduction of the duties on imported sugar would greatly injure both the cane and the beet sugar industry in the United States and retard its growth?

Mr. COLCOCK. There is no question about that at all; it goes without saying.

Mr. CLARK. How much do you say is the entire rake-off, to use the common expression, that the Sugar Trust gets on refined sugar? What is the entire profit that the Sugar Trust now makes on a pound of sugar?

Mr. COLCOCK. That question would have to be answered by a practical refiner—that is, how much can he make upon a pound of refined sugar.

Mr. CLARK. In the first place, the difference between what he pays for the raw sugar and what he gets for the refined sugar is how much?

Mr. COLCOCK. I have tried to make that plain.

Mr. CLARK. I know you tried to do it, but it is a very difficult thing for a man who does not know anything about sugar to catch these terms. The reason I am asking that question is this: When we had the Philippine tariff bill up the last time, we calculated that the differential on refined sugar was $5.80 per ton, and nobody disputed that proposition; and I offered an amendment to cut it down to $2.30. Now, according to your figuring to-day, they only get $2.50 differential, for one-eighth of a cent a pound on a ton is $2.50.

Mr. COLCOCK. The amount collected on a ton would be one-eighth of $20.

Mr. CLARK. Is not there something else besides this one-eighth of a cent a pound that they get the advantage of?

Mr. COLCOCK. They have a by-product that they sell.

Mr. CLARK. Is there not some other kind of a tariff that they get?

Mr. COLCOCK. All the differential they get, mathematically, is 12½ cents. I never could understand why you gentlemen were so puzzled over it.

Mr. CLARK. It would puzzle almost anybody, it seems to me.

Mr. COLCOCK. Mr. Payne was clear on the subject; he seemed to realize that it was one-eighth of a cent a pound all along.

Mr. CLARK. Another thing, the difference between the cane sugar men and the beet sugar men is that you have nothing on top of earth to do with this differential on refined sugar, and they have a differential on refined sugar, plus the tariff that you get on the raw sugar.

Mr. COLCOCK. That is correct.

Mr. CLARK. That is their situation?

Mr. COLCOCK. And I do not want to hurt them; they are our neighbors.

Mr. CLARK. That I understand; that is the difference in the situation. What is the reason you do not start refineries?

Mr. COLCOCK. Because we are afraid.

Mr. CLARK. Afraid of what?

Digitized by Google

Mr. COLCOCK. Afraid that when we come to sell the sugar, not to the American Sugar Refining Company alone, but the people who refine sugar independently also, will undersell us wherever we try to deliver our goods.

Mr. CLARK. A cutthroat game?

Mr. COLCOCK. Every business in the world is conducted on that principle—every business that I know of.

Mr. CLARK. Was there ever a time when there was refined in Louisiana the entire product of Louisiana?

Mr. COLCOCK. No; we have always made some sugar fit for immediate consumption.

Mr. CLARK. How much does one of these sugar refineries cost? Does anybody know?

Mr. COLCOCK. We are building one down there now, and I am afraid it will cost more than a couple of dozen of sugar plantations put together.

Mr. CLARK. Is there any climatic condition that keeps you from refining sugar at New Orleans, and causes it to be done at New York?

Mr. COLCOCK. There is nothing that keeps us from refining sugar, if the men can come together and subscribe the money to build the refineries. They are afraid they will succeed in raising the money; that is exactly the position they are in. I have known men to subscribe $25,000 to $40,000, and then withdraw it before the subscription is complete.

Mr. CLARK. Do they refine any considerable amount of sugar in Cuba?

Mr. COLCOCK. Very little.

Mr. CLARK. Did they ever?

Mr. COLCOCK. Never.

Mr. CLARK. Before the United States got into this reciprocity arrangement with Cuba, where was their sugar refined, in Spain?

Mr. COLCOCK. No; principally in the United States. New Orleans was a large importer of Cuban sugar.

Mr. CLARK. In calculating how much sugar we make in the United States, do you take into consideration the beet-sugar proposition, too?

Mr. COLCOCK. Mr. Underwood added that in.

The CHAIRMAN. I would like to ask why you do not refine this sugar? I understood you to say that you are afraid? What are you afraid of?

Mr. COLCOCK. Suppose we put, say, $1,000,000 into a refinery; we would have to have $1,000,000 of working capital besides. Now, then, we begin to sell the sugar, selling it to a company at Vicksburg, say, at 5 cents a hundred under the price offered by the American Sugar Refining Company; then they offer to sell it at 10 points lower; then the other company cuts them 10 points, and so on; and as there are only about 28 points that can be possibly cut, in two days we would be out of the game altogether.

The CHAIRMAN. All you are afraid of is the competition of the refining companies?

Mr. COLCOCK. Undoubtedly; we are afraid of that.

The CHAIRMAN. I understood you to say, in reply to a question by Mr. Underwood, that there had been a time when you did not get a fair price for sugar from the refining company?

Digitized by Google

Mr. COLCOCK. We did not get it last year, nor this year.

The CHAIRMAN. Not this year, but you did get it last year?

Mr. COLCOCK. No; we did not last year. There was a reason for it last year, but there is no reason for it this year.

The CHAIRMAN. Can you suggest any amendment to the tariff schedule that would enable you to get a fair price for your sugar?

Mr. COLCOCK. I am afraid that I can not; I do not think I can. I would like to do it, but I do not know how.

The CHAIRMAN. You do not know of any way that we could amend the tariff to help you out in that matter?

Mr. COLCOCK. No, sir; I do not.

Mr. UNDERWOOD. I want to ask you again, if we took off the duty on the differential and put the same amount of duty on the raw sugar, if that would not force the American Sugar Refining Company, the trust, to buy the American sugar and make a better market for the American sugar, because it would be more costly for them to import, and at the same time it would not put up the price of sugar to the consumer?

Mr. COLCOCK. You are wrong, sir. The greater the advantage the refiner has, the more he can afford to pay for the raw sugar. If you gave him 3 cents protection on the raw sugar he could pay a better price than he could if you gave him one-eighth of a cent protection.

Mr. UNDERWOOD. If he could not buy his raw sugar from you, he would have to buy it all abroad, and he would have to pay 1.68 abroad?

Mr. COLCOCK. If there was no differential on raw sugar, the foreign refiners would send their sugar into the United States market. I am only speaking to the best of my knowledge and belief.

Mr. UNDERWOOD. You have not any facts to sustain it?

Mr. COLCOCK. Nothing but my observation of twenty-five years.

Mr. FORDNEY. If the duty on imported raw sugar was put so high that it would not be sold in competition with sugar made from beets in this country, it would certainly stimulate the beet sugar industry in this country, would it not?

Mr. COLCOCK. I do not think you could build factories fast enough, sir.

Mr. HENRY T. OXNARD. Mr. Chairman, I would like to say that we do refine sugar in Louisiana. My brother and myself have a cane sugar plantation at Adeline, La., and we are now making refined sugar there.

Mr. COLCOCK. The stenographer has that in his report from me.

STATEMENT OF HENRY T. OXNARD, OF OXNARD, CAL., REPRESENTING THE AMERICAN BEET SUGAR CO., OPERATING IN COLORADO, NEBRASKA, AND CALIFORNIA.

MONDAY, *November 16, 1908.*

Mr. OXNARD. Mr. Chairman and gentlemen of the committee, I represent our domestic sugar interests, in part, as vice-president of the American Beet Sugar Company, operating six beet sugar companies located in Colorado, Nebraska, and California.

Digitized by Google

As I understand it, for the past two or three years certain interests have been agitating for lower duties on certain products, principally those that enter into manufactured articles. This demand, artificially created, I believe, has caused a sentiment to grow up that calls now for a readjustment or a revision of the Dingley tariff schedules. The call is for Congress to look into schedules of the law of eleven years ago to see what need there may be for lower or higher duties, in view, perhaps, of changes in conditions which may have come since 1897. The Dingley bill has brought great prosperity to this country, and its life has only been equaled by the tariff act of 1846, when in 1856–57 there was a call for lower duties that brought disaster to the country.

We understand that, whatever demand exists for revision of the existing rates of duty, no necessity exists for a radical reduction of rates of duty on products at large. On the contrary, it seems desirous of having Congress investigate the matter, and raise, or lower, or maintain the present rates wherever advisable and just. In other words, the sentiment spoken of does not proceed so far as to assume that existing rates of duty are too high generally on all products. These hearings, then, are to determine where inequalities exist; where, because of change in conditions, the rate now may be too low or too high, and where it has not yet outlived its usefulness; and then it will be proposed, as I understand it, that when a harmonious determination is arrived at, to add to the whole a higher or maximum or retaliatory rate that we may use as against nations that treat our products unfairly.

From that standpoint I wish to hold the attention of this committee briefly on the subject of sugar; to show why there should be no change in the rates on that product, or if any, an increase.

The duty that should be placed on sugar depends on several factors. I know it is contended by some that reduction increases duties, because inciting larger importations. The idea is a theory. More revenue from lower rates depends, in the case of sugar, on whether a given reduction would be enough to displace the domestic product. Lower-dutied sugar would not displace our domestic sugar, nor that free sugar that comes from Hawaii and Porto Rico and the Philippines, nor that from Cuba, unless the reduction were sufficient to overcome the grant of tariff favor to sugar from that island. Hence there would be no room here for larger foreign importations. We need only about so much foreign sugar, and hence lower duties on it could only reduce our revenue.

How much of our revenue should come from sugar is a serious question; so serious, for several reasons, that the schedule has invariably given committees and Congress more or less trouble, so that the Treasury is interested from a revenue standpoint; and we have for many years—save from 1891 to 1895, when there was practically free sugar and a bounty—collected very considerable revenue from sugar. This worked favorably for sugar producers, while our consumers have enjoyed reasonable prices for a necessary of life, but it has not always been easy to reconcile these often conflicting interests. To-day, as I see it, the task is fairly easy.

Not to go back too far into ancient tariff history, in 1883 a high duty was placed on sugar and on other entries, so high along the whole line that in 1890 we had such dangerous "surplus" of revenue.

Digitized by Google

that Congress determined to place raw sugar on the free list, lopping off about fifty millions of revenue, and giving our sugar producers a bounty as a greater stimulus to production than a duty had been.

In 1894 Congress went back to a duty on sugar, but the rates then fixed were found too low for either revenue or protection. The evil effect of ad valorem rates on sugar being demonstrated, the 40 per cent rate on raw sugar, then valued at an average of 3 cents, was supposed to be ample for revenue, and a rate tending to give our consumers cheaper sugar. It did neither. It came to pass that the world's price of raw sugars fell down, say, from one-half to three-fourths cent below 3 cents, which produced a very considerable loss of the protection granted, affecting the revenue as well.

Then came the higher tariff of 1897, the sugar rates in which were designed to return enough revenue, insure to consumers sugar at a reasonable cost, and fair protection to our producers, and hoped for development of the sugar industry. Our producers, however, were promised, in addition, a bounty of one-fourth of a cent a pound to increase the development of sugar production—a more stimulating agency than the duty had proved to be; but the pressure for the speedy passage of the Dingley law was so great that in the face of the threat of the minority in the Senate to protractedly debate the bounty proposition, the latter was withdrawn, and so our domestic sugar producers did not get what the majority conceded sugar was fairly entitled to to increase the development of sugar production.

This is what was said:

Mr. ALLISON. I offer this morning two or three amendments to the bill, which I do not ask to have considered at this moment, but I offer them now in order that they may be sent to the printer immediately and returned at an early hour during the morning. I offer the amendment which I send to the desk.

The VICE-PRESIDENT. The Secretary will read the amendment.

The SECRETARY. On page 200, after line 14, insert as a new section:

"SEC. —. That on and after July 1, 1898, and until July 1, 1903, and no longer, there shall be paid from any moneys in the Treasury not otherwise appropriated, under the provisions of section 3689 of the Revised Statutes, to the producer of sugar made from beets grown within the United States during the calendar year 1898 and each succeeding calendar year until July 1, 1903, a bounty of one-fourth of 1 cent per pound."

Mr. JONES, of Arkansas. On what many of us hoped would be the last day of the consideration of this bill the committee comes in with what is unquestionably the most radical departure from what has been the practice of the Government for a century in tariff taxation as an amendment.

There was considerable debate, Mr. Jones saying, "There must be time, it seems to me, to look into the question."

Page 2255:

Several SENATORS (to Mr. Allison). Withdraw it.

Mr. ALLISON. In view of what has been stated by Senators on the other side of the Chamber, that the amendment will lead to a prolonged debate, I withdraw it. I agree with what has been so well stated by the Senator from Nebraska [Mr. Thurston], that it is not the purpose or wish of those who wish to pass the bill to introduce into it any new question which will prolong the debate. Therefore, if in order, on behalf of the committee, I ask leave to withdraw the amendment.

This was in the Fifty-fifth Congress, first session, volume 30, part 3, pages 2244 and 2255.

It is not for us to say what our national expenditures may be, nor what our revenues must consequently be. I have only pointed out some reasons why we shall need very considerable income to meet

Digitized by Google

our necessities, making the continuance of existing rates on sugar wise, necessary, and fair, unless by much lower rates on other products we invite larger foreign importations for revenue, too low to be sufficiently protective.

The following shows our consumption of sugar, the duties collected thereon, the per capita consumed, the average price of refined sugar in New York, and rates of duty on refined sugar under the tariff acts of 1883, 1892, 1894, and 1897. In the year 1884—shall I read this, gentlemen? If you are not interested in these figures I will pass them by.

Mr. CRUMPACKER. I suggest that you read them.

The CHAIRMAN. Yes; I think you had better read them as you go on.

Mr. OXNARD (reads):

Year.	Consumption.	Duty collected.	Per capita consumed.	Price of refined in New York.
1884	1,309,000	$47,500,000	52.4	6.78
1885	1,298,000	50,800,000	51.8	6.44
1892	1,853,000	76,000	63.8	4.34

Mr. BOUTELL. That was free sugar?

Mr. OXNARD. Sugar under the bounty. The per capita consumption was 63.8 pounds, under free-trade conditions, practically what it is to-day. [Continues reading:]

Eighteen hundred and ninety-five consumption, 1,949,000; duty collected, $15,350,000; per capita consumed, 63.4; price of refined in New York, 4.15.

Mr. CLARK. What year was that before that you just read?

Mr. OXNARD. 1892.

Mr. CLARK. That was the year when there was not any tariff on sugar, but a bounty?

Mr. OXNARD. Yes, sir.

Mr. UNDERWOOD. There was a tariff on refined sugar, but none on raw sugar?

Mr. OXNARD. Yes.

Mr. CLARK. That was when we were paying the bounties?

Mr. OXNARD. Yes; under the McKinley bill.

The CHAIRMAN. The tariff on the raw sugar was the same as the differential?

Mr. OXNARD. Yes, sir. Now we come to the Wilson bill. In 1895 the consumption was 1,949,000 tons. The revenue collected was $15,350,000. There was a 40 per cent ad valorem duty that year. The duty collected was $15,350,000. The per capita consumption was 63.4, and the price of refined sugar in New York was 4.15 cents, practically lower than it had been under free conditions. [Reads:]

In 1896 the consumption was 1,960,000; duty collected, $29,800,000; per capita consumed, 62.5; price of refined in New York, 4.53.

Now we come to 1907, under the Dingley bill, last year. [Reads:]

Nineteen hundred and seven, consumption, 2,990,000; duty collected, $60,130,000; per capita consumed, 76; price of refined in New York, 4.8.

We have been going on and buying more sugar, showing that the people were satisfied with the price. That is the end of my table.

Digitized by Google

The CHAIRMAN. Do you give the price per pound last year?

Mr. OXNARD. Four and eight-tenths.

Mr. BONYNGE. That was under free trade?

Mr. OXNARD. No; 4.8.

Mr. UNDERWOOD. What you call free trade is the amount of tariff tax that was collected on refined sugar coming into this country?

Mr. OXNARD. I said $76,000 was collected.

Mr. UNDERWOOD. What was the tax per pound?

Mr. OXNARD. I do not remember at that time.

The CHAIRMAN. It was in the neighborhood of one-eighth.

Mr. OXNARD. Yes; something like that.

The CHAIRMAN. I suggest, Mr. Oxnard, that you add to that table the tonnage of cane sugar and beet sugar produced in the United States during each of the years mentioned.

Mr. OXNARD. I will do that with pleasure. I will fix that and put it in the record.

Mr. MCCALL. Can you make also the returns for the intervening years, so that we can get a report from each year since 1884?

Mr. OXNARD. I will do that for each year.

Mr. MCCALL. These figures are very valuable.

The CHAIRMAN. If you could do it this afternoon it could be made ready for insertion in the hearing to-morrow.

Mr. OXNARD. That will be a job, but I will try to do the best I can.

Mr. CRUMPACKER. My attention has been called to a statement published in Willett & Gray's Weekly Statistical Sugar Trade Journal, fixing the price for 1907 at 4.69 instead of 4.80.

Mr. OXNARD. I got my figures from the same source. Between 4.69 and 4.80 there is not much difference, but I will see if I made a mistake. It is 4.69.

Mr. CLARK. The sugar habit, if you may call it so, is increasing among all civilized people, is it not?

Mr. OXNARD. Yes; I think that is true.

Mr. CLARK. Have you ever investigated outside of the United States about the consumption of sugar?

Mr. OXNARD. Oh, yes, I have. The people that use the least amount of sugar are the Turks. You would think they use more, but they use only 6 pounds per capita.

Mr. CLARK. I thought that the Chinese were just learning to use sugar.

Mr. OXNARD. I have not the record of the Chinese.

The CHAIRMAN. It is not increasing very rapidly in Germany, is it?

Mr. OXNARD. It is increasing in Germany. The German Government is making great efforts to have the per capita consumption of sugar increased. They apply it to the army. They find it excellent food, and it has increased a few pounds per capita in Germany in recent years. I think it is about 42 pounds per capita in Germany. I am answering from memory, you should understand.

Mr. BONYNGE. What is it in Great Britain?

Mr. OXNARD. Great Britain is the great sugar-eating country of the world. The per capita consumption in Great Britain is 90 pounds. They put up jams and preserves, and a great deal of it goes in in that way.

Mr. GAINES. For export?

Mr. OXNARD. Yes.

Digitized by Google

Mr. CLARK. You say the people eat sugar because they are satisfied with the price. Is that right? Do they eat it because they are satisfied with the price, or because they have to eat it?

Mr. UNDERWOOD. To satisfy the sugar? [Laughter.]

Mr. CLARK. Your remark was in the nature of an argument.

Mr. OXNARD. I think both. I think I showed that they get their sugar about as cheap now under this tariff as they ever got it under free trade.

Mr. CLARK. I want to ask you now for information: Is this sugar consumption in the United States, this increase of the per capita consumption—does that grow out of the fact that they use more sugar, as sugar in its simple state, or do they eat more preserves and jams, and so forth?

Mr. OXNARD. If you want my opinion I will give it to you. The farmers and everybody have been extremely prosperous under the Dingley bill, and they have had money to buy sugar with.

Mr. CLARK. I understand that; but what about the English people now? You give that now as an argument here. How does it happen that they eat more?

Mr. OXNARD. They have always eaten the same amount, apparently.

Mr. CLARK. They must be prosperous, too, then. What do you think of that proposition?

Mr. OXNARD. They are prosperous, probably.

Mr. CLARK. Is the sugar habit increasing because people like to eat more sugar, or because it is cheaper?

Mr. OXNARD. The consumption has not increased much in France. It has not increased at all.

Mr. CLARK. We lack a good deal from being up to the English, according to your own statement.

Mr. OXNARD. There is also this, I think, that I did not state: The English make jams and preserves and send them to their colonies. Perhaps that increases their per capita consumption. They are large jam producers, and send it to India and Australia and other countries.

Mr. CLARK. Do you think any people in the world eat as much jam and knickknacks and gewgaws and gimcracks as we do?

Mr. OXNARD. I think the English do.

Mr. CLARK. Then why did you not answer a while ago that this extra consumption of sugar grows out of the fact that sugar is cheaper in comparison with other things than it has been in days gone by? Is that it, or is it the taste of the American people for sweet things?

Mr. OXNARD. Let me answer that by looking at my table and showing you that they ate 63 pounds in 1892, under free sugar, when it was 4.34, and they ate 77 pounds last year, when it was 4.8, or 4.7.

Mr. MCCALL. Mr. Oxnard, how is the price of sugar now compared with the price of other commodities at that time? Has sugar remained lower, compared with other food commodities?

Mr. OXNARD. I think very decidedly. Sugar is extremely low, and it is a great food product; and on that account the Germans, as I said, have applied it to their army and furnished their army with sugar, and habituated the army to use sugar as the cheapest product they can consume.

Mr. MCCALL. I was trying to find the reason for the increased consumption. If sugar to-day is cheaper than it was ten years ago, would

Digitized by Google

not that be a reason for its increased consumption over the consumption of other foods?

Mr. OXNARD. It might be. I think it is relatively cheaper than other food of the same nutritive value.

Mr. CRUMPACKER. Has there not been a corresponding increase in the consumption of other foods as well as sugar? I know there has been, in relation to wheat and other foods, because of the good times.

Mr. OXNARD. I dare say, but I am not competent to answer that.

The CHAIRMAN. Great Britain exports very largely preserved fruit and sugar?

Mr. OXNARD. Yes, sir.

The CHAIRMAN. And the sugar used in preparing those fruits is estimated as part of the consumption?

Mr. OXNARD. Yes; that is true.

The CHAIRMAN. And that accounts in large measure for their large consumption of sugar per capita?

Mr. OXNARD. Undoubtedly.

Mr. CLARK. Do you know of any place where we are exporting sweetmeats?

The CHAIRMAN. I can not answer that as an expert, but I can answer it simply as a member of the committee. I think we do not to any great extent.

Mr. FORDNEY. Has not the consumption of other food products increased in the past ten years much more than sugar?

Mr. OXNARD. Undoubtedly.

Mr. FORDNEY. Would you raise or lower the present duties on sugar?

Mr. OXNARD. I would raise them. I started out with that as the basis of my argument, and showed that it was the intention of the Republican majority at the time they passed this bill to give us still more protection, and I would like to see the stimulus added to.

Mr. FORDNEY. If we had still more duty on foreign raw sugar it would stimulate the production of beet sugars, would it not?

Mr. OXNARD. Certainly.

Mr. FORDNEY. And in a short time supply sugar to all the people who consume it in this country at a lower price than is paid to-day with improved methods?

Mr. OXNARD. I do not think there is any doubt about that.

Mr. GAINES. Do you know what proportion of the world's production of sugar is consumed in this country?

Mr. OXNARD. I do not remember exactly. Mr. Willett, what is the proportion of the world's production of sugar consumed in this country?

Mr. W. P. WILLETT, of New York. The world's raw consumption is 14,000,000 tons, and this country consumes about 3,000,000 tons.

Mr. OXNARD. That is about a fifth.

Mr. BOUTELL. Before you proceed, if it is a mere matter of tabulation as to those figures as to the per capita consumption of sugar, can they be carried back as far as they are available if they are given by decades?

Mr. OXNARD. Do you want the figures of what we consumed to compare with particular years—with the tariff of 1846?

Mr. BOUTELL. If it is a matter of tables, if they can be brought down from the earliest figures available they would be of great value.

Digitized by Google

Mr. OXNARD. You want the amount of consumption, the amount of duty collected, the per capita, and the price of refined sugar?

Mr. BOUTELL. Yes, sir; if those could be carried back.

Mr. OXNARD. Very well. Perhaps some of your questions, gentlemen, will be answered in my further statement; so with your permission I will proceed.

It will not be denied by the well informed that our producers are in need of all the protection now enjoyed, and especially if the beet-sugar industry is to go forward in the matter of development. It should not be overlooked that Congress has lowered the effect of rates and reduced the natural effect of whatever stimulation was contained originally in the rates of 1897 by letting in free or at lower rates, since 1897, upward of 1,800,000 tons of sugar, deterring investments, which alone is sufficient reason why the existing rates should stand or should be increased. And in that I have included Hawaii, which at that time had a treaty and is now a part of the United States.

Mr. CLARK. If it will not interrupt you, I would like to ask you a question entirely different from that. Is the area of cane sugar made in the United States about all taken up?

Mr. OXNARD. It is not scratched, hardly.

Mr. CLARK. What is the reason, then, Mr. Fordney keeps asking you about stimulating the growth of the beet-sugar industry?

Mr. OXNARD. It will apply to the cane also. He did not ask me that question.

Mr. UNDERWOOD. Is it not a fact that, as compared with the other cane-producing countries of the world, we have not got an ideal cane-producing country?

Mr. OXNARD. That is true.

Mr. UNDERWOOD. Is there not too much moisture and water down there to produce a good cane?

Mr. OXNARD. I will try to answer that. The cane is the plant of the Tropics, and as you go northward you find it more difficult to properly develop that plant.

Mr. CLARK. It produces less sugar to the ton of cane?

Mr. OXNARD. Yes, sir; until you go so far north that it does not contain any sugar at all. It is a natural tropical product, just as the beet is the product of the Temperate Zone, and as you approach either extreme the conditions become less and less favorable, except in the case of California, which is semitropical. In southern California we have two factories, which do extremely well.

Mr. UNDERWOOD. Who do you mean as "we?"

Mr. OXNARD. I am vice-president of the American Beet Sugar Company. We have one factory at the town of Chino and one at Oxnard.

Mr. CLARK. Is sugar a matter of ordinary agriculture? What do you know about that, or what do you say about that?

Mr. OXNARD. I should say that is a broad question, and yet I should say that under favorable conditions sugar can be produced readily with the proper culture.

Mr. CLARK. Where are there cane lands outside of Louisiana?

Mr. OXNARD. In Texas.

Mr. CLARK. Texas goes successfully under the general agricultural business. As I understand it, Louisiana is confined substantially to two or three of these subtropical crops.

Digitized by Google

Mr. OXNARD. Well, rice grows very well in Louisiana. Our cane production does well in Louisiana in some years and badly in other years.

Mr. CLARK. Which is the more profitable production in Texas, sugar or rice?

Mr. OXNARD. I can not answer that question as to Texas.

I will go back a little to say again that we let in free or at lower rates since 1897 upward of 1,800,000 tons of sugar, deterring investments, which alone is sufficient reason why existing rates should stand or be increased. That is, we have received our tariff cut. I call your attention to the fact that we have no more beet sugar factories now than we had three years ago, showing that your protection or stimulation is not sufficient to induce additional investments under colonial conditions.

The CHAIRMAN. You do not mean to say that no new beet sugar manufactories have been erected since 1897?

Mr. OXNARD. No; but some have been abandoned which were not located exactly right.

The CHAIRMAN. You mean they were not located where they could raise beets profitably?

Mr. OXNARD. Yes. But there has not been much development for a year or two. I think the Philippine agitation has caused people to wait to see what you are going to do with this tariff.

The CHAIRMAN. The same number of factories have been built that have been abandoned?

Mr. OXNARD. Yes.

Mr. CLARK. You beet sugar men have known ever since you got busted on that Philippine tariff bill in the Senate that there was no earthly prospect of that bill being passed.

Mr. OXNARD. Who guaranteed that?

Mr. CLARK. You just reasoned ordinarily that if the Senate sat down on that bill with such force as they did, there was not any prospect of that bill being passed unless the Senate was completely upset, and you had four years to build these sugar factories in.

Mr. OXNARD. But who is going to build factories with investments of $1,000,000 or thereabouts on an uncertainty?

Mr. CLARK. But the conditions have not gotten worse in that interval. Why don't you go on and build these new sugar beet factories?

Mr. FORDNEY. Capital is timid, Mr. Oxnard, while agitation is going on at one end of the country, is it not?

Mr. OXNARD. Certainly.

The CHAIRMAN. Would it not be better to have that Philippine tariff question settled at once?

Mr. OXNARD. I do not understand your question.

The CHAIRMAN. I say, would it not be better to have the Philippine tariff settled, if possible, for the interest of the sugar growers?

Mr. OXNARD. Decidedly.

Mr. FORDNEY. If they should let you and me settle it, yes. [Laughter.]

The CHAIRMAN. It would be better to have it settled anyway, would it not?

Mr. OXNARD. Yes.

The CHAIRMAN. I hope you will so advise the Senate committee.

Digitized by Google

Mr. OXNARD. We want it settled with this tariff altogether. We will not say how you shall formulate the different parts.

I must insist that sugar is exceptionally situated; that it falls in that class of products where present duties should be maintained. The lower duties would be disastrous, in view of the treatment meted out to sugar since 1897, and higher duties are advisable.

We have gone on and done our best to fulfill our promise to develop the beet sugar industry since the passage of the Dingley law, and we have to show for it a production of 440,000 long tons from 63 factories in 1907, as against a production of 40,800 long tons from 9 factories in 1897.

The CHAIRMAN. Oh, in 1897, you mean?

Mr. OXNARD. Yes. I am talking of this year and ten years ago, when the Dingley bill went into effect. We have increased the production of beet sugar tenfold in the United States.

The CHAIRMAN. I understand it now.

Mr. CLARK. It has not increased, then, in the last two or three years, as I understand it?

Mr. OXNARD. In the last couple of years we have not increased. We are at a standstill, to see what will be done.

Mr. BONYNGE. You have increased the amount of production of sugar?

Mr. OXNARD. Oh, yes; I understood you to say the number of factories.

Mr. CLARK. I do not care about the increase of the number of factories.

Mr. BONYNGE. It was by removing the factories to places where you could grow the beet to the best advantage?

Mr. OXNARD. Yes; a new factory never gets its full supply at first, you know.

What our sugar industry needs is certainty, assurance that it is to be let alone, to proceed as best it can under existing rates. If, however, 700,000 tons of free sugar from Porto Rico and Hawaii is allowed to come in, and if to reductions on 1,250,000 tons of Cuban and Philippine sugars now admitted—which has been a staggering blow to sugar capitalists—there is added a reduction of existing rates, the money which has been going into Porto Rico, Mexico, and Cuba will continue to go there, rather than risk a million, or even half a million, investment in sugar factories at home.

To-day we have an investment of about $60,000.000 in 63 beet sugar factories, scattered in 15 States of the Union, and reaching from the Atlantic to the Pacific, and the average returns on the actual investment have not exceeded 6 per cent; far too little to induce capital to develop rapidly a great national industry in proportion to its value, from every standpoint, to the inhabitants of the United States.

The CHAIRMAN. For how long a period?

Mr. OXNARD. Right through for a period of ten years; far too little to induce capital to develop rapidly a great national industry in proportion to its value from every standpoint to the growing commerce and the people of the United States.

The American beet sugar stock listed on the New York Stock Exchange, and our annual statements are on file there, open to public inspection, and they show that during the life of the Dingley bill we have never been able to do more than pay 6 per cent on the actual

Digitized by Google

capital invested in building and operating our six factories, located in California, Colorado, and Nebraska. There is no water in this $7,000,000, consisting of $4,000,000 of preferred and $3,000,000 of short-term notes, every dollar of which went into the building of these plants.

These are the cold facts in the case, and they can not be truthfully controverted. Does this look like an unreasonable profit? Would any sane man care to invest in the industry under a smaller margin of profit? I leave this answer to you, gentlemen. I claim that the facts warrant the raising of duties, if the industry is to be speedily developed.

Summed up, my propositions, then, are: Sugar is so situated that it should be treated with exceptional favor—first, because it is only developing, and, second, because no other industry has been set upon since 1897 as has home sugar. It has already borne its full share of any proposed reduction.

The beet sugar industry is only, you may say, 10 years old. The only stimulant it has received came since the Dingley bill went into effect. Why, gentlemen, in 1890, when we appeared here for the first time before you, before Mr. Payne on the McKinley bill, I was the sole representative of the beet sugar industry in the United States. There was nobody else here. I had to represent it. There was no industry, practically. There was not one man in a hundred in Congress that believed you could make sugar from beets. They wanted to see that sugar. In 1894, when the Wilson bill came up, we had a few more representatives, not many more, because the bounty did not last. There were seven or eight factories. In 1897, when the Dingley bill was framed, there were only about nine factories. The great development has come since 1897, and I think all these other countries that grow sugar realized that we are going to grow sugar, and since then they have been at you and at us right along to have their products admitted at reduced rates or free; and I think it is about time to call a halt, because the industry is only developing, and because no other industry has been set upon since 1897 as has home sugar. The sugar schedule is the only one that has been hammered at in the tariff. Just think of the percentage of sugar that has been admitted free and at reduced rates since this bill was started. No other schedule has been attacked like that.

Mr. UNDERWOOD. But so long as a majority of the sugar consumed in this country was imported, the admitting free of a portion of it from Hawaii and Cuba would not fix the price, when it is the surplus that fixes the price, and there is no surplus here?

Mr. OXNARD. It is bound to affect the price.

Mr. FORDNEY. We always will import a large amount of sugar here until home industry has adequate protection, will we not?

Mr. OXNARD. Yes. If you turn it once into the hands of the foreigners you will see what your sugar bill will be.

Second, the per capita consumed of sugar here is increasing, showing that consumers consider prices reasonable, and they are conservative.

Third, we will need our present or more revenue from sugar.

Fourth, our producers need the present protection. Prices have fallen, and if rates are advanced it will be assurance to waiting capi-

Digitized by Google

tal that Congress will stand fast on its guarantee to foster and develop our home sugar industry.

Fifth, present rates are not nearly as high nor the protection as much as in 1883 and 1890.

Sixth, diligent effort to carry out our share of the contract of 1897 with Congress, which deserves additional encouragement for those who are to invest in the beet-sugar industry.

Now, gentlemen, I have tried to make a connected argument.

Mr. BOUTELL. Mr. Oxnard, is there any reason in the method of raising beets why, with such encouragement as you ask for it, it should not be a very large and widespread and prosperous business?

Mr. OXNARD. I see none unless you cripple it as they have done, as I pointed out, in the last ten years by continually letting in what I call foreign sugars from outlying countries at reduced rates.

Mr. BOUTELL. Leaving outside for the moment any question of protection by the tariff or otherwise, is there anything in the nature of the raising of the sugar beet which should put us at a disadvantage with respect to other countries?

Mr. OXNARD. No, sir; I do not see any.

Mr. BOUTELL. The reason I asked the question is this: Professor Taussig, who is a very able writer on economic questions, refers especially to the flax and linen and the beet-sugar industries as two illustrations of protective industries that have not made the progress in this country that was looked for, and he gives as the explanation that the method of harvesting flax and the method of the cultivation of the sugar beet, employing on the continent of Europe very much of child labor, is such that under our social system probably it will never reach the same proportions that it has reached in the continental countries. Is there anything in that?

Mr. OXNARD. I should say not, and for this reason: I do not know of any industry that has developed in ten years as this one has, going from 40,000 to 440,000 tons. It seems to me that refutes his argument directly, and do you know that 440,000 long tons is more than a third of what we were consuming along in 1885, a third of the consumption of the United States, and that has been done in the last eight or ten years. I would point to that as an answer, and I would further say from my personal knowledge that it is not so. I would rather that question be asked of an expert on the agricultural end. We have such a man who will appear before this committee, Mr. Saylor, who has made a study of it for the Government, to go around, and he is here now in the room and ready to appear before you gentlemen, and he will be glad to answer that question, better than I can.

Mr. MCCALL. Mr. Oxnard, what effect would the removal of the differential have on refined beet sugar?

Mr. OXNARD. Of course it would be very bad for it, because we share in that protection. Beet sugar is not food to eat in its raw state. It has to be refined, and every pound of it is refined, and we share in that differential just as much as the refiners do.

Mr. UNDERWOOD. I would like to ask you what company you represent, Mr. Oxnard?

Mr. OXNARD. The American Beet Sugar Company. I will go a little into the history of that. That is the oldest company, and that is why I pointed out that if that company could not earn and pay

Digitized by Google

more than 6 per cent it would be hard to expect other companies that had not been in the business as long to do so.

Mr. UNDERWOOD. How much beet sugar does this particular company produce?

Mr. OXNARD. It varies. When you ask me these questions, gentlemen, as to the price of sugar, and so forth, I must answer in figures, just as if you would ask me what the price of Union Pacific is.

Mr. UNDERWOOD. What was it last year?

Mr. OXNARD. You mean an average?

Mr. UNDERWOOD. Yes.

Mr. OXNARD. About 125,000,000 pounds last year.

Mr. UNDERWOOD. How does that compare with the total amount of beet sugar produced?

Mr. OXNARD. You can figure it; 65,000 tons, in round figures, out of 440,000 tons.

Mr. UNDERWOOD. How much?

Mr. OXNARD. Sixty thousand, we will say, out of 440,000.

Mr. UNDERWOOD. Has the American Sugar Refining Company any interest in this company?

Mr. OXNARD. Not that I know of.

Mr. UNDERWOOD. Has it any interest in the beet sugar industry of the United States?

Mr. OXNARD. I do not know as to that. I am only going as far as my own company is concerned. It may have stock. Anybody in this room may have stock. I am not specifying. But so far as I know, none are stockholders in our company.

Mr. UNDERWOOD. So far as you know, is there any business connection between your interests and the American Sugar Refining Company toward fixing the price of the sugar produced in this country?

Mr. OXNARD. No, sir; not that I know of, and that is a point that I would know about. I was for seventeen years president of this company. I started it, and for personal reasons I did not want to go on, and my brother succeeded me, and I know everything that the American Beet Sugar Company has done and is doing.

Mr. UNDERWOOD. You are familiar with the beet sugar interests of the Northwest in a business way?

Mr. OXNARD. Yes; but I want to say this before I start in on that: My brother in California handled that part of the business, the selling of the sugars, and I am not in a position to answer detailed statements about that. There are other gentlemen here who could answer much better.

Mr. UNDERWOOD. Do you know the territory in which the beet sugar interests of the United States sell their products?

Mr. OXNARD. I know that. I can answer that.

Mr. UNDERWOOD. Where is that?

Mr. OXNARD. From the Atlantic to the Pacific.

Mr. UNDERWOOD. I mean the most of their product is not sold on the seaboard, is it?

Mr. OXNARD. What do you call the seaboard? The bulk is sold in the interior.

Mr. UNDERWOOD. Is it not a fact that by reason of railroad rates, freight rates in the market in which the beet sugar interest disposes of its product it has a freight rate in its favor of from 30 to 40 per cent?

Digitized by Google

Mr. OXNARD. From 30 to 40 per cent on what?

Mr. UNDERWOOD. Thirty to 40 per cent on the cost.

Mr. OXNARD. No, indeed. We make sugar in California; we ship it to Chicago. I do not know what the freight rate is now, but we have paid as high as $1 a hundredweight—a cent a pound.

Mr. UNDERWOOD. You ship it where?

Mr. OXNARD. From California to Chicago, and we seldom pay less than 25 cents to carry it from the factory to almost any point.

Mr. UNDERWOOD. Oxnard is in California?

Mr. OXNARD. Yes; southern California.

Mr. UNDERWOOD. And you pay $1 a hundred pounds?

Mr. OXNARD. I say we have paid it. To my knowledge we have paid $1.

Mr. UNDERWOOD. Most of the factories of the American Sugar Refining Company are on the Atlantic seaboard, or all of them?

Mr. OXNARD. Most of them; yes.

Mr. UNDERWOOD. All the importation of refined sugar that comes into this country comes in on the Atlantic seaboard, does it not, of refined sugar?

Mr. OXNARD. Not all.

Mr. UNDERWOOD. But practically all?

Mr. OXNARD. Practically all.

Mr. UNDERWOOD. Then if it costs you a dollar to ship it from California to Chicago——

Mr. OXNARD. It may not be more than 75 cents, and I may have shipped none in this past year. I do not know.

Mr. UNDERWOOD. It will range from 75 cents to $1?

Mr. OXNARD. It will range all the way from 25 cents to 75 cents. Now we have a factory that will supply Chicago from Colorado.

Mr. UNDERWOOD. That brings you nearer the market than the other factory? The beet sugar interests are located largely in Colorado and Nebraska and Michigan and the Middle West, or the Rocky Mountain West, are they not?

Mr. OXNARD. Yes; and in California and Utah.

Mr. UNDERWOOD. When the importations of sugar come to this country, besides the foreign freight and the ocean freight, the foreign importer has to pay the domestic freight rate to the market in which the beet sugar is sold, does he not?

Mr. OXNARD. Yes. If he would send it there he would have to pay it undoubtedly.

Mr. UNDERWOOD. There are 440,000 tons of beet sugar produced in the United States. The western market is able to consume every pound of that?

Mr. OXNARD. As I say, I have found times when we had to come to New York with it, and we have gone frequently to Pittsburg with it.

Mr. UNDERWOOD. I understand there are sometimes exceptions. Sometimes we ship pig iron to China.

Mr. OXNARD. Yes. There has been shipped imported sugar from New Orleans to Omaha for 27 cents, when we were paying 75 cents from Oxnard to Chicago to compete with it.

Mr. UNDERWOOD. We agree on the proposition that the western market consumes the beet sugar product.

Mr. OXNARD. Yes; that is true, largely.

Digitized by Google

Mr. UNDERWOOD. And that the foreign competitor has to pay the cost of the freight rate from the Atlantic seaboard to the western market?

Mr. OXNARD. Yes.

Mr. UNDERWOOD. Can you give an anywise accurate statement as to the amount of cost of freight on sugar from the Atlantic seaboard to the western market, Chicago and westward?

Mr. OXNARD. No; I can not. There are gentlemen here who can.

Mr. UNDERWOOD. It must be somewhere near the same rate.

Mr. OXNARD. I was talking of some years ago when I said 27 cents.

Mr. UNDERWOOD. Do you know the cost of ocean freight in bringing sugar to this country from Amsterdam?

Mr. OXNARD. The understanding among us was that each gentleman would take a certain part of this subject and discuss it. There are gentlemen in this room who can tell you that. Mr. Hathaway knows. (To Mr. Hathaway:) What is the rate from Hamburg here?

Mr. UNDERWOOD. If he will testify, I will ask him later. You do not know the freight rate?

Mr. OXNARD. No, sir.

Mr. UNDERWOOD. Do you know the cost of the production and refining of German beet sugar?

Mr. OXNARD. Yes, I do; but there are other men who will dwell upon that. Mr. Payne suggested that it would be better if each man would take up a subject and exhaust it, and there is a gentleman here who will take up that matter from the beginning. The cost is about 2 cents. Mr. Hathaway has come from Michigan, and he has that information, I know.

Mr. UNDERWOOD. I want to ask you this question: Is it not a fact that the present tariff duty on refined sugar is practically prohibitive?

Mr. OXNARD. It is just on the line, because sugar does come in in very small quantities.

Mr. UNDERWOOD. But is it not practically prohibitive?

Mr. OXNARD. No; because it is low enough to let some sugar in.

Mr. UNDERWOOD. But that is a very small proportion?

Mr. OXNARD. Yes, sir.

Mr. UNDERWOOD. It is practically prohibitive?

Mr. OXNARD. No; it is not prohibitive.

Mr. UNDERWOOD. It is practically prohibitive because all the sugar that is imported into this country comes in as molasses or sugar below the 16 Dutch standard.

Mr. OXNARD. Not all.

Mr. UNDERWOOD. Practically all?

Mr. OXNARD. Yes; practically.

Mr. UNDERWOOD. The revenue that is derived by the Government on sugar, then, is not on refined sugar?

Mr. OXNARD. No, sir.

Mr. UNDERWOOD. If we placed the tax that is now on refined sugar on unrefined sugar—that is, the proportionate tax—and removed the differential on refined sugar, would it not largely increase the revenue of the Government?

Mr. OXNARD. It would increase it to the extent of one-eighth of a cent a pound, but it would do this—it would destroy the refining industry and put our refining industries in the hands of foreigners.

Digitized by Google

Mr. UNDERWOOD. I mean if you put the same tax on refined sugar as on unrefined sugar?

Mr. OXNARD. It would drive out the refineries. That question was put to Mr. Colcock a little while ago, but I do not think he brought out this fact. I am a Louisiana planter as well as a beet sugar planter. It would mean that the Louisiana people would have to go into the business of refining sugar in competition with Europe, where the wages are very low. There is a gentleman coming after me who spent six months in Europe and who has statistics as to wages and the labor question. Louisiana, I can say from what I have seen, can not possibly compete with Germany, and the result would be to transfer the refining to Europe.

Mr. UNDERWOOD. You stated that you did not know the cost of transportation to this country on refined sugar?

Mr. OXNARD. I said that I did not know. I could guess, but there are men here who know better than I do. I have a pretty good idea.

Mr. UNDERWOOD. You do not know that the American Sugar Refining Company could not run with the differential off?

Mr. OXNARD. I am certain they could not.

Mr. UNDERWOOD. On what do you base that statement?

Mr. OXNARD. On the figures that I have referred to as to the amounts paid in the factories of Europe. You will be astounded when you hear them. This gentleman will follow me.

Mr. UNDERWOOD. Then I will wait for the other gentleman.

Mr. FORDNEY. I understood you to say a moment ago, in answer to a question by Mr. Underwood, that raw sugar is now shipped from the Atlantic to the Pacific?

Mr. OXNARD. Refined sugar.

Mr. FORDNEY. He said raw sugar. Is it not true that the refineries on the Pacific coast refine sugar mostly coming from Hawaii and not from Europe?

Mr. OXNARD. That is absolutely so.

Mr. CLARK. You appear here in the dual capacity, as I understand it, of being very much interested in the beet sugar business and also being a cane sugar planter and refiner in Louisiana?

Mr. OXNARD. I am a refiner in the beet sugar sense, too.

Mr. CLARK. I understand. Then you appear in a dual capacity?

Mr. OXNARD. If you want to put it that way.

Mr. CLARK. As far as the beet sugar industry is concerned, the question that Mr. Underwood asked Colonel Colcock and you both was: If we take the tariff off of refined sugar and place it on raw sugar, so far as the producer goes, it would not make a particle of difference?

Mr. OXNARD. Yes, sir. I would not like to be brought into competition with the German producers.

Mr. CLARK. I do not care what you would like, but it would not change one particle the amount of tariff you would get.

Mr. OXNARD. As far as the amount of protection I would get, it would not, but it would put my competitor in the field again.

Mr. CLARK. I understand; but as far as the tariff is concerned, you would be precisely where you are now.

Mr. OXNARD. You would take it off of one side and put it on the other side and, as we are producers of raw as well as refined sugar, the condition remains the same.

Digitized by Google

The CHAIRMAN. Would it not depend on whether they took off the differential on refined sugar?

Mr. OXNARD. Yes, sir.

Mr. CLARK. Mr. Underwood's theory is to take the differential off the refined sugar and put the same amount on the raw sugar. How long have you been running the sugar refinery down there?

Mr. OXNARD. About twenty days.

Mr. CLARK. You have just started?

Mr. OXNARD. Yes, sir. We do not know whether it is going to be a success or not. The practical result would be that the Louisiana people would have to put up a refinery and compete with the refined sugar of Germany. That is what they would have to do.

Mr. CLARK. The reason I asked you that question was to ask you another one. What is the reason they do not build refineries down there and refine this Louisiana, Texas, and Mississippi sugar down there instead of shipping it to New York to be refined?

Mr. OXNARD. The answer to that question is because there is more money in doing it the way it is done now.

Mr. CLARK. That is because the trust has you by the throat?

Mr. OXNARD. That is not my answer.

Mr. CLARK. I know. I am asking you a question.

Mr. OXNARD. If the trust had us too much by the throat, we would undoubtedly take some measure as you suggest, but we do not find it sufficiently exacting to do that. As a matter of dollars and cents, we do not do it.

Mr. CLARK. I know you have not done it. What I would like to see, of course, would be a part of this manufacturing done down there. Colonel Colcock testified here that if they put up a refinery in New Orleans that the sugar trust would meet them even at Vicksburg, and the upshot would be that the trust would cut the throat of the refinery down there and they would have to go out of business. If you had a refinery down there and refined all of the Louisiana, Texas, and Mississippi sugar, would not the freight rate from New York give you advantage enough to compete with the sugar trust in your own territory?

Mr. OXNARD. I think it would. I am here as a beet sugar representative. I take very little interest in that part; my brother attends to it.

Mr. CLARK. Do the beet sugar men contemplate a time when they can stand on their own legs and compete with everybody, or do they look all the time for a high protective tariff to enable them to make sugar at all?

Mr. OXNARD. The sugar beet is being bred up every year, so that we are getting more and more sugar all the time out of good, sweet beets. Science is being devoted to developing a high-grade beet, and they are gradually getting 1 per cent more and 1 per cent more, and every per cent means more pounds of sugar. Some exceptional beets have been produced containing 25 per cent sugar to the weight; a quarter of the whole weight was sugar. My hope is that we will breed the beet just as you have bred the trotters, from 2.40 down to 2 minutes. We are hoping every day to secure that high standard, and when we have obtained it, if that day comes, as I firmly believe it will, we can compete with the whole world.

Digitized by Google

Mr. CLARK. Is one of the things that keep the American beet sugar man clamoring for a high protective tariff the fact that they have developed the beets there on soil or the way they cultivate them in Europe, so that they produce a greater percentage of saccharine matter than our own beets?

Mr. OXNARD. All the seed we use is imported from Europe, and so we have the same facilities as the sugar producer of Europe.

Mr. CLARK. Does the sugar beet produced in Germany contain a higher percentage of saccharine matter than the sugar beet of Michigan, Colorado, and California?

Mr. OXNARD. With your permission, I will ask Mr. Hathaway to answer that question. He has all those facts. As I said before, each one has taken his part in this tariff discussion, and he has all the specific details.

Mr. CLARK. Is it not true that the reason that they tore down and removed a beet sugar factory from Michigan to Colorado was because the Colorado beets contain so much more saccharine matter than the Michigan beets?

Mr. FORDNEY. No.

Mr. OXNARD. I do not know; you must ask a Michigan man that question.

Mr. CLARK. Then why did they tear down that great big sugar factory in Saginaw?

Mr. OXNARD. It was a very little one, not a big one.

Mr. CLARK. It cost $500,000.

Mr. OXNARD. That is nothing. The Oxnard factory cost $2,500,000.

Mr. CLARK. That is the biggest one in the world?

Mr. OXNARD. The biggest of ours.

Mr. FORDNEY. It was not moved because of the low percentage of sugar in the beet, but because there were too many factories growing up in that particular locality.

Mr. CLARK. If the beets contained more saccharine matter they would have raised more?

Mr. OXNARD. They raise 200,000 tons, a fourth of the production of the United States.

Mr. FORDNEY. The gentleman from Missouri asked you if the difference in the freight rates between New York and New Orleans would not be sufficient to protect any refiners in the South against sugar refined in New York. Is it not true that foreign sugar from Cuba and from Germany can be landed as cheaply at New Orleans as it can be in New York?

Mr. OXNARD. Yes, sir.

Mr. FORDNEY. And is being landed?

Mr. OXNARD. I think, without doubt.

Mr. FORDNEY. So, you are directly in competition with foreign sugar now?

Mr. OXNARD. I did not quite understand his question that way. He spoke of Vicksburg.

Mr. CLARK. I spoke of Vicksburg because Colonel Colcock spoke of it, and because it is so near to New Orleans. He said that they could not compete if they started a refinery in Louisiana or they could not compete with the sugar refinery at Vicksburg. It looks to me like the freight rate from New York to Vicksburg would give you a con-

Digitized by Google

siderable advantage over them in selling the refined sugar. As a matter of fact, the beet sugar country is west of the Missouri River?

Mr. OXNARD. No; I will not admit that; it is not west of the Missouri River. It is produced there. I would not say it was sold there. The bulk is produced west of the Missouri River.

Mr. CLARK. The bulk of it.

Mr. OXNARD. I think it is sold east of the Missouri River.

Mr. CLARK. The freight rates are counted from Missouri River points and Mississippi River points. Nine-tenths of the beet sugar country is between the Mississippi River and the Pacific coast?

Mr. OXNARD. No; I should not say that. These gentlemen know. As I have said, I have not handled those figures.

Mr. CLARK. What is the sense in shipping beet sugar East and cane sugar West?

Mr. OXNARD. Because there is not a combination, a community of interest. That is the answer to that question. If there was a combination between the refiners of the East and the West, then that would happen. As it is, we go seeking markets everywhere we can in competition.

Mr. CLARK. Has there been any general understanding?

Mr. OXNARD. As to the beet factories, no sir. I say positively, none.

Mr. FORDNEY. Nearly one-fourth of the sugar is produced in Michigan and some east of the Missouri River.

Mr. GAINES. How many beet sugar producing companies are there?

Mr. OXNARD. There are 63 in operation.

Mr. GAINES. How many different companies own those concerns?

Mr. OXNARD. We have six factories.

Mr. GAINES. About one-eighth of the production?

Mr. OXNARD. This Oxnard factory, that cost $2,500,000 to build, produces nearly half of the output of the six.

Mr. GAINES. Can you tell us how many beet sugar producing companies there are in America? I understood there were 63.

Mr. OXNARD. I do not know. I should say, however, that half of that number were different companies, about one-half. Mr. Hathaway says that he will give an exact list.

Mr. GAINES. Do you know how many different companies refine cane sugar?

Mr. OXNARD. You mean in the United States?

Mr. GAINES. Yes, sir.

Mr. OXNARD. No, sir; I should say about a dozen.

Mr. GAINES. Do you know what proportion of the cane sugar production is refined by the so-called trust?

Mr. OXNARD. I should say about 50 per cent. I do not know. I am just giving these statements from memory. They are what I think.

Mr. GAINES. You do not know how many other companies refine the balance?

Mr. OXNARD. I think there are about one dozen refineries in the country.

Mr. CLARK. If you were to invest $1,000,000 in cane sugar lands and $1,000,000 in beet sugar, with the same amount of brains, the same kind of a fellow running both, which would make the more money?

Digitized by Google

Mr. OXNARD. Whereabouts? Where would you invest the money?

Mr. CLARK. I would invest it down in the cane country; and as to beet sugar, if I were going to pick the place, I would pick Colorado.

Mr. OXNARD. You would pick about right, as far as beet sugar is concerned.

Mr. CLARK. Where would you go with the cane?

Mr. OXNARD. Louisiana.

Mr. CLARK. Where would you put the cane factory if you were about to invest $1,000,000 in the business?

Mr. OXNARD. In Louisiana, I might say.

Mr. CLARK. I would like to see it located in Louisiana or Texas.

Mr. OXNARD. That is the best place in this country. I would say unquestionably that the beet sugar investment would be more profitable, having had long experience in both.

Mr. CLARK. Make more profit?

Mr. OXNARD. Yes, sir.

Mr. MCCALL. Will not the tendency toward beet sugar destroy the cane sugar industry in this country?

Mr. OXNARD. I think there is room for both, unless you let all the outlying islands come in with their sugar.

The CHAIRMAN. Refined beet sugar is sold in competition with the American Sugar Refining Company?

Mr. OXNARD. Yes, sir.

The CHAIRMAN. Is there any more difficulty in disposing of the product of American refined cane sugar than beet sugar?

Mr. OXNARD. The beet sugar factories have to sell under the cane a little. As a matter of fact, they do sell for less.

The CHAIRMAN. Than the American Sugar Refining Company?

Mr. OXNARD. Yes, sir; a little bit under them.

The CHAIRMAN. How much?

Mr. OXNARD. About 10 cents a hundred pounds.

The CHAIRMAN. By a similar concession the Louisiana people might refine their own sugar and sell it. Do you see any reason why they can not?

Mr. OXNARD. None on earth, except it is more profitable to do it the way they are doing it, selling it to the trust.

The CHAIRMAN. They are not getting their share?

Mr. OXNARD. This is a free country and they can build a refinery if they feel they can profit by it.

Mr. UNDERWOOD. The reason they do not go into the sugar refining business is the same reason that a good many people do not go into the oil business against the Standard Oil Company; they are afraid to put their money against the immense amount of capital on the other side?

Mr. OXNARD. You will have to answer that question.

Mr. UNDERWOOD. Is not that the fact?

Mr. OXNARD. I am sure of it.

Digitized by Google

STATEMENT OF F. R. HATHAWAY, REPRESENTING THE MICHIGAN SUGAR COMPANY, OF DETROIT, MICH.

MONDAY, *November 16, 1908.*

Mr. HATHAWAY. Mr. Chairman and members of the committee, measured from one standpoint, it seems to me that this day is most appropriate to undertake the discussion of this question, because it is a sort of field day for the beet sugar people, and I speak of this, to start with, because it furnishes a concrete fact such as I believe you would like to get hold of. It is the general practice of the beet sugar people to pay the middle of the month for the beets delivered during the preceding calendar month. Yesterday was the middle of the month, and the pay day for the beets delivered during the month of October is to-day. Just before I left home I received drafts on us from our six sugar factories, these drafts to be used to pay the farmers for the beets delivered to our factories during the month of October, and the sum total of those drafts for the six factories was $1,148,000, nearly $200,000 to a factory. That which applies to the beet sugar factories owned by the Michigan Sugar Company applies with equal force to the remaining number to make up the 63 beet sugar factories in the United States. In other words, to-day, the day on which you begin these hearings, there is being paid to the farmers of this country for beets delivered to the beet sugar factories of this country during the month of October in the neighborhood of $12,000,000 or $13,000,000. That is simply for beets delivered during the month of October. These deliveries will continue during the months of November and December. These deliveries will probably not be quite as high as the October delivery, and probably this pay roll which we are making at the present time constitutes about 40 per cent of the total pay roll we will be called upon to make for beets. This is exclusive of the labor pay roll at each of our factories.

A question came up from one or two of the gentlemen present asking the kind of sugar that we produced, and I knew of no better way of answering that than to wire home and ask them to send me a sample from each of the six factories. I have not opened these samples [exhibiting samples]. They represent the six different factories owned and operated by the Michigan Sugar Company.

Mr. MCCALL. In other words, the total amount paid for beets in a year would be about $30,000,000?

Mr. HATHAWAY. Yes, sir; from $25,000,000 to $30,000,000. I would like to have you, if you desire, look at this sugar. Some people think that beet sugar is different in appearance from that which is made from cane.

The CHAIRMAN. It takes an expert to detect the difference between beet sugar and cane sugar?

Mr. HATHAWAY. Yes, sir. I simply have these samples here so that you can look at them, if you wish.

The CHAIRMAN. I think that is what Doctor Wiley said. Of course we have heard something of this sugar question before.

Mr. HATHAWAY. I appreciate that, Mr. Chairman.

Digitized by Google

The platform of the Republican party adopted in the year 1896 contained this statement of the position of the party toward the domestic producers of sugar.

I will read the statement or not, as you wish, Mr. Chairman, concerning the party's declaration.

The CHAIRMAN. I do not think it is necessary to read it.

Mr. FORDNEY. It has a splendid tone; read it.

Mr. HATHAWAY (reads):

We condemn the present administration for not keeping faith with the sugar producers of this country. The Republican party favors such protection as will lead to the production on American soil of all the sugar which the American people use, and for which they pay other countries more than $100,000,000 annually.

The general tariff plank, adopted the same year, was:

We demand such an equitable tariff on foreign imports which come into competition with American products as will not only furnish adequate revenue for the necessary expenses of the Government, but will protect American labor from degradation to the wage level of other countries.

The Republican party, in its national platform adopted in the year 1900, made this declaration:

We renew our faith in the policy of protection to American labor. In that policy our industries have been established, diversified, and maintained. By protecting our home market competition has been stimulated and production cheapened. Opportunity for the inventive genius of our people has been secured and wages in every department of labor maintained at higher rates, higher now than ever before, and always distinguishing our working people in their better conditions of life from those of any competing country.

The platform of the Republican party, adopted in the year 1904, stated:

Protection which guards and develops our industries is a cardinal policy of the Republican party. The measure of protection should always at least equal the difference in the cost of production at home and abroad.

President Roosevelt's message, sent to Congress in December, 1907, contained this statement regarding the position of the Republican party:

This country is definitely committed to the protective system and any effort to uproot it could not but cause widespread industrial disaster. In other words, the principles of the present tariff law could not with wisdom be changed. But, in a country of such phenomenal growth as ours, it is probably well that every dozen years or so the tariff laws should be carefully scrutinized, so as to see that no excessive or improper benefits are conferred thereby; that proper revenue is provided and that our foreign trade is encouraged. There must always be as a minimum a tariff which will not only allow for the collection of an ample revenue, but which will at least make good the difference in cost of production here and abroad; that is, the difference in the labor cost here and abroad for the well-being of the wage worker must ever be a cardinal point of American policy.

The Republican platform of 1908, under which that party has just been returned to power, contains the following statement in its tariff plank:

In all tariff legislation the true principle of protection is best maintained by the imposition of such duties as will equal the difference between the cost of production at home and abroad, together with a reasonable profit to American industries. * * * Between the United States and the Philippines we believe in a free interchange of products with such limitations as to sugar and tobacco as will afford adequate protection to domestic interests.

Digitized by Google

It appears from the foregoing declaration of party principles that every platform adopted by the Republican party from 1896 to 1908, both inclusive, contains a party pledge in favor of a protective tariff and that two of them, viz, the platform of 1896 and the platform of 1908, contains specific pledges that the domestic sugar industry shall be protected.

The purpose of such schedule is clearly the protection of the domestic sugar industry of the United States, with a view to the ultimate production on American soil of all the sugar the American people consume.

Has the development of the beet sugar industry in the United States since 1897 justified the enactment of a protective sugar tariff?

When the Dingley law was passed, there were but six sugar factories in the United States, the combined output of which was 40,000 short tons of sugar. To-day there are in active operation 64 beet sugar factories in this country, and their output for each of the past two years has been 480,000 short tons of sugar. This year the output will pass 500,000 tons. It thus appears that during ten years the output of domestic beet sugar has increased more than 1,200 per cent. This output is greater than the domestic cane output, and has become the second largest source of supply from which the people of the United States fill their annual sugar bowl, being exceeded only by Cuba. We to-day produce from beets grown in this country enough sugar to supply all the people of the United States living between the crest of the Rocky Mountains and the Mississippi River.

I will take up the question of where that sugar is marketed if the gentleman from Alabama desires.

Such a development of the industry in the first decade of a protective sugar tariff is little less than wonderful when we stop to think that at the time the Republican party incorporated its first sugar plank in its platform of 1896 there were few farmers who had ever raised sugar beets, no trained agriculturists who could teach them how to raise this crop, no good model by which a factory could be built, few skilled operatives to work in such factories when built, no trained supervisors to teach factory employees, no experienced managers to place in charge of the enterprise, no merchant east of the Mississippi who had ever handled domestic beet sugar, and, to cap the climax, a hostile refining industry anxious to stamp out this new competitor. The most enthusiastic advocate of the sugar plank of 1896 could hardly have expected that within ten years $60,000,000 would be invested in the beet sugar business in this country and that the farmers who raised the beets for the 64 factories would receive annually $25,000,000 for their crop. Such, however, has been the development. The attached table will show the location and size of the different beet sugar factories scattered over the fifteen States in which this industry has taken root.

These tables show the number of companies as well.

Mr. FORDNEY. And the total number of companies?

Mr. HATHAWAY. Yes, sir. It also gives the ownership of each factory.

Mr. BONYNGE. The location of each factory and ownership?

Mr. HATHAWAY. Yes, sir.

Digitized by Google

Name.	Location.	Daily capacity in beets.
CALIFORNIA.		*Tons.*
Alameda Sugar Company	Alvarado	800
Los Alamitos Sugar Company	Los Alamitos	700
Spreckels Sugar Company	Spreckels	3,000
Union Sugar Company	Betteravia	600
American Beet Sugar Company	Chino	[illegible]
Do	Oxnard	[illegible]
Pacific Sugar Corporation	Visalia	400
Do	Corcoran	600
Sacramento Valley Sugar Company	Hamilton City	700
		9,700
COLORADO.		
American Beet Sugar Company	Rocky Ford	1,100
American Beet Sugar Company	Lamar	600
Do	Las Animas	700
Holly Sugar Company	Holly	600
Holly Construction Company	Swink	1,200
National Sugar Manufacturing Company	Sugar City	500
Great Western Sugar Company	Eaton	600
Do	Greeley	600
Do	Loveland	1,200
Do	New Windsor	600
Do	Longmont	1,200
Do	Fort Collins	1,200
Do	Sterling	600
Do	Brush	600
Do	Fort Morgan	600
Western Sugar and Land Company	Grand Junction	600
		12,500
IDAHO.		
Utah-Idaho Sugar Company	Idaho Falls	1,200
Do	Sugar	1,200
Do	Blackfoot	600
Do	Nampa	750
		3,750
ILLINOIS.		
Charles Pope	Riverdale	350
IOWA.		
Iowa Sugar Company	Waverley	400
KANSAS.		
United States Sugar and Land Company	Garden City	1,200
MICHIGAN.		
Michigan Sugar Company	Bay City	750
Michigan Sugar Company	Caro	1,200
Do	Alma	750
Do	Carrollton	800
Do	Sebewaing	600
Do	Croswell	600
West Bay City Sugar Company	West Bay City	600
Holland Sugar Company	Holland	400
Owosso Sugar Company	Owosso	1,200
Do	Lansing	600
German American Sugar Company	Bay City	650
Mount Clemens Sugar Company	Mount Clemens	600
Menominee River Sugar Company	Menominee	1,200
St. Louis Sugar Company	St. Louis	600
Continental Sugar Company	Blissfield	600
West Michigan Sugar Company	Charlevoix	600
		11,750
MINNESOTA.		
Carver County Sugar Company	Chaska	600
MONTANA.		
Great Western Sugar Company	Billings	1,200
NEBRASKA.		
American Beet Sugar Company	Grand Island	350

Digitized by Google

Name.	Location.	Daily capacity in beets.
NEW YORK.		Tons.
Lyons Beet Sugar Refining Company	Lyons	600
OHIO.		
Continental Sugar Company	Fremont	400
OREGON.		
Amalgamated Sugar Company	La Grande	400
UTAH.		
Amalgamated Sugar Company	Logan	600
Do	Ogden	500
Do	Lewiston	600
Utah-Idaho Sugar Company	Lehi	1,200
Do	Garland	1,200
		4,000
WASHINGTON.		
Washington State Sugar Company	Waverly	500
WISCONSIN.		
Wisconsin Sugar Company	Menominee Falls	500
Chippewa Sugar Company	Chippewa Falls	600
Rock County Sugar Company	Janesville	600
United States Sugar Company	Madison	600
		2,300

Total, 64 factories, with daily slicing capacity of 50,000 tons beets.

The following table, taken from page 5 of Willett & Gray's Weekly Statistical Sugar Trade Journal, December 26, 1907, shows the progress of the beet sugar industry in the United States during the past sixteen years.

I give here the year, the sugar produced in tons of 2,240 pounds, and the number of factories operated each year. I will not read that.

	Sugar produced.	Factories operated.		Sugar produced.	Factories operated.
	Long tons.			Long tons.	
1907-8	410,000	63	1899-1900	72,944	31
1906-7	433,010	63	1898-99	32,471	15
1905-6	283,717	53	1897-98	40,399	9
1904-5	209,722	51	1896-97	37,536	7
1903-4	208,135	53	1895-96	29,220	6
1902-3	195,463	44	1894-95	20,092	5
1901-2	163,126	39	1893-94	19,550	6
1900-1901	76,859	34	1892-93	12,018	6

The next general subject to which I wish to call your attention is the necessity for a protective tariff against European sugar.

The average price paid the American farmer for his sugar beets is $5.75 per ton.

Mr. BOUTELL. Where?

Mr. HATHAWAY. That is f. o. b. factory. When he brings them to the factory in his wagon he receives $5.75 a ton.

The CHAIRMAN. How is it where they ship by the railroad?

Digitized by Google

Mr. HATHAWAY. It depends on the freight. We pay all freight in excess of 40 cents per ton. He pays the first 40 cents of the freight.

From a ton of such beets the American manufacturer makes 240 pounds of granulated sugar, such as you have seen this morning. It thus appears that the farmer receives $2.40 per 100 pounds for the sugar in the beet before the manufacturer begins the process of manufacturing.

Mr. McCALL. Please repeat that statement.

Mr. HATHAWAY. It thus appears that the farmer receives $2.40 per hundred pounds for the sugar in the beet before the manufacturer begins the process of manufacturing. When the farmer unloads his beets at our factory he receives $2.40 a hundred pounds for the sugar that is in those beets.

The present average cost of producing granulated beet sugar in this country ranges from $3.75 per 100 pounds to $4 per 100 pounds.

The beet sugar manufacturer received an average of $4.35 per 100 pounds for his 1907 crop.

That answers your question.

Mr. FORDNEY. That is the sugar in the beet?

Mr. HATHAWAY. No. The beet sugar manufacturer received an average of $4.35 per 100 pounds for his manufactured sugar in 1907.

Mr. FORDNEY. I did not understand the statement.

Mr. CLARK. Right there, how much profit does he get?

Mr. HATHAWAY. I gave you his cost of production.

Mr. CLARK. How much does it cost him to produce a hundred pounds of sugar?

Mr. HATHAWAY. From $3.75 to $4 per hundred pounds.

Mr. CLARK. There is a range of 25 cents?

Mr. HATHAWAY. Yes, sir.

Mr. CLARK. And he sells it at $4.35?

Mr. HATHAWAY. Yes, sir.

Mr. CLARK. Then, he either makes a profit of 35 cents a hundred pounds or a profit of 60 cents.

Mr. HATHAWAY. Yes, sir; that is the range.

Mr. DALZELL. That does not include any cost of administration?

Mr. HATHAWAY. What do you mean?

Mr. DALZELL. Interest on capital, and all that sort of thing.

Mr. HATHAWAY. No, sir.

Mr. DALZELL. Insurance and so on?

Mr. HATHAWAY. Yes, sir; insurance.

The CHAIRMAN. How about office employees?

Mr. HATHAWAY. It includes the pay roll, whatever it is.

Mr. DALZELL. Is that included?

Mr. HATHAWAY. Yes, sir.

Mr. UNDERWOOD. You include in that statement all the cost of production except interest on capital?

Mr. HATHAWAY. Except interest on capital. If you will give me an opportunity to read this next paragraph, I think it will answer your question.

The CHAIRMAN. Continue your statement.

Mr. HATHAWAY. In that year there were 63 sugar factories in operation in the United States, and the combined output was 410,000 long tons, or 918,400,000 pounds, making an average of 14,500,000 pounds per factory. The combined daily capacity of these 63 sugar

Digitized by Google

factories is 50,000 tons of beets, or a daily average of 800 tons beets per plant. The cost of erecting an 800-ton factory is $800,000. The site, equipment, and permanent supplies, exclusive of working capital, costs another $100,000, making the total investment, exclusive of working capital, $900,000.

On the 14,500,000 pounds of sugar which the average American factory produced the maximum profit would be 60 cents per 100, or $87,000. If the sugar cost 4 cents a pound to produce, as it does in most cases, the profit would be $50,750. In neither case is any allowance made for depreciation of plant. The year referred to, viz. 1907, was an exceptionally good year; far above the average for the past ten years.

I can not give you any franker statement than that of the exact condition in the country.

In Willett & Gray's Weekly Statistical Sugar Trade Journal, December 26, 1907, page 7, the average Hamburg price of 88° sugar (the form of raw sugar manufactured in Europe) is given as follows:

1900	100 pounds	$2.24
1901	do	1.88
1902	do	1.43
1903	do	1.81
1904	do	2.14
1905	do	2.55
1906	do	1.87
1907	do	2.05

Making the average price of this sugar f. o. b. Hamburg for the eight years in question just $2 per hundred pounds, or 2 cents a pound.

From the same page of the same journal I find the Hamburg price of refined granulated sugar for the same years to be as follows:

1900	100 pounds	$2.64
1901	do	2.29
1902	do	1.79
1903	do	2.11
1904	do	2.55
1905	do	3.09
1906	do	2.31
1907	do	2.40

Making the average Hamburg prices for granulated sugar for these same eight years to be $2.38½ per 100 pounds f. o. b. Hamburg.

I have carefully compared these figures with those given by H. H. Hancock, London, on pages 104 and 105 of the International Sugar Journal, February, 1908, and find that they agree very closely, the maximum difference being 0.05 cents per 100 pounds in any one year, and the average prices shown by Mr. Hancock to be a trifle less than those shown by Willett & Gray.

It appears from the foregoing that the actual selling price of granulated sugar, f. o. b. Hamburg, is less than the amount the American manufacturers pay the farmers for the sugar in the beet before they begin the process of manufacture. Further, that this average Hamburg selling price of granulated sugar is $1.36½ less than the lowest range of average cost to manufacture beet sugar in the United States. It must be remembered that the Hamburg prices above referred to are the selling prices and not the cost prices. They include the first cost of raw material, the cost of manufacturing and the manufacturer's profit, the sum total of which, as stated above, is

Digitized by Google

less than the American manufacturer pays the farmer for the sugar in the beet before he begins the process of manufacture.

If it is urged that the European sugar producer can not afford to sell 88° sugar at an average price of $2 per 100 pounds, and granulated sugar at an average price of $2.38½ per 100 pounds, let it be remembered that during the years in question, namely, from 1900 to 1907, the beet sugar industry of Europe has thrived as never before, as is shown by the following figures, from page 13, Senate Document No. 250, entitled "Production and Commercial Movement of Sugar," compiled by O. P. Austin, Chief of Bureau of Statistics, Department of Commerce and Labor:

1900–1901	tons	6,146,000
1901–2	do	6,913,000
1902–3	do	5,757,000
1903–4	do	6,090,000
1904–5	do	4,923,000

Mr. Austin's figures do not continue after the above-mentioned year, and I take the following statistics as given by the great German statistician, F. O. Licht, in Willett & Gray's Statistical Sugar Trade Journal, January 9, 1908, page 19:

1905–6	tons	6,933,649
1906–7	do	6,717,000
1907–8	do	6,575,000

It will thus be seen that during the eight years in question the European beet sugar crop has increased about half a million tons.

The most celebrated German beet sugar statistician is Mr. F. O. Licht. In his report dated "Magdeburg, December 20, 1907," he gives the following figures covering the production of sugar in Germany during recent years:

1902–3	tons	1,762,461
1903–4	do	1,927,681
1904–5	do	1,598,164
1905–6	do	2,418,156
1906–7	do	2,239,179

This shows practically a half million tons increase in five years.

Notwithstanding the fact that Europe can produce 88° sugar and sell it profitably at an average price of 2 cents per pound, every sugar producing country in Europe finds it necessary to maintain a protective tariff against cane sugar grown in the Tropics by still cheaper labor.

The highest authority on the present European sugar tariffs is Liste Generale des Febriques de Sucre, the 1907–8 edition of which gives the following as the present European sugar tariffs:

Austria-Hungary, $2.39 per 100 pounds on raw sugar and $3.50 per 100 pounds on refined sugar, to which there is added an additional interior duty of 0.32 cent per 100 pounds refined sugar and 0.30 cent per 100 pounds raw sugar; Russia, raw sugar $6.39 per 100 pounds, refined sugar $8.56 per 100 pounds; Spain, $3.06 per 100 pounds on all sugar; Germany, $1.51 per 100 pounds on all sugar; Italy, $7.70 per 100 pounds on sugar under 94° and $8.67 per 100 pounds on sugar above 94°. On domestic sugar Italy levies a tax of $5.88 per 100 pounds on sugar under 94° and $6.14 per 100 pounds on sugar above 95°; France, $2.36 per 100 pounds; Holland, on 98° sugar and refined sugar $4.82 per 100 pounds, for sugar below 98° 0.27 florin is

Digitized by Google

deducted for each degree, but the tax shall in no case be less than $3.21 per 100 pounds; Belgium, $1.75 per 100 pounds, plus a surtax fixed by the Government, but not to exceed 0.48 cent per 100 pounds; Sweden, refined sugar and that above No. 18 Dutch standard $2.07 per 100 pounds, raw sugar and that below No. 18 Dutch standard $1.43 per 100 pounds. These duties in Sweden are to be gradually reduced until the year 1913, when a minimum shall have been reached at which the duty on refined sugar shall be $1.70 per 100 pounds and on raw sugar $1.10 per 100 pounds.

It will thus be seen that every sugar-producing country in Europe maintains a protective tariff against cane sugar.

The CHAIRMAN. Most of those duties are prohibitive?

Mr. HATHAWAY. Very nearly.

The CHAIRMAN. When they get to $3 or $4 a hundred it is practically prohibitive?

Mr. HATHAWAY. Yes, sir.

Mr. CRUMPACKER. Those countries have capacity sufficient to produce all they consume?

Mr. HATHAWAY. Yes, sir. If it is urged that by reason of such protective tariff they are able to sell at a lower rate for export than for home consumption, it must be remembered that it is the price of their export sugar with which we must compete in the United States, and this for the past eight years has averaged $2 per 100 pounds on 88° and at $2.38½ per 100 pounds on granulated sugar.

The CHAIRMAN. Is there any bounty paid by Germany on export sugar?

Mr. HATHAWAY. Not at the present time.

Here is a partial answer to a question that has been asked: The Hamburg freight rates from Europe to the United States do not serve to protect our domestic manufacturers, the rate from Hamburg to New York being from 9 to 10 cents, which is the exact rate which a Michigan sugar manufacturer must pay to ship his sugar 96 miles from Saginaw to Detroit.

Mr. UNDERWOOD. Is there an internal railroad freight?

Mr. HATHAWAY. Yes, sir. If you will ask that question later on, when I get through with this particular part of my statement, I will be glad to answer it.

In contrast with the above-mentioned European tariffs, it may be well to note the various United States tariffs that have been effective during the last fifty years. In 1861, 5 cents per pound. By the tariff of 1862 the rate was reduced to 4 cents; in 1864 it was put back to 5 cents; in 1870 the rate was fixed at 4 cents, at which schedule it remained until 1883, when it was established at 3½ cents, where it remained until the McKinley bill of 1890. By that act the rate of duty was fixed at one-half cent per pound, and a bounty of 2 cents was paid on domestic sugar. In 1894 the Wilson bill established a rate of 40 per cent ad valorem, which was equivalent to nearly 1 cent per pound. This rate remained in effect until the Dingley bill of 1897, the provisions of which will be set forth later on.

Mr. NEEDHAM. All those countries you have mentioned export sugar?

Mr. HATHAWAY. Yes, sir.

Mr. NEEDHAM. What proportion does the United States import from each of those countries?

Digitized by Google

Mr. HATHAWAY. If you will refer to this pamphlet [exhibiting] it will give you the exact importations.

Mr. UNDERWOOD. There is practically no importation of refined sugar?

Mr. HATHAWAY. It is very slight.

Mr. DALZELL. Is that a Senate document?

Mr. HATHAWAY. Yes, sir; Senate Document No. 250, Fifty-ninth Congress, first session.

I wish now to speak of the concessions already made in the sugar schedule of the Dingley bill.

The sugar schedule in the Dingley tariff fixes the rate of duty on 96° sugar as $1.68½. From this amount 3½ cents per 100 pounds is taken for each degree below 96°, and 3½ cents per 100 pounds is added for each degree above 96° until 100°, or refined sugar, is reached, which sugar takes an arbitrary 12½ cents differential, making the duty on refined sugar to be $1.95 per 100 pounds.

This schedule has been submitted to four distinct modifications since its enactment in 1897. The conditions growing out of our late war with Spain have led to these modifications. Hawaii was the first to profit by the war. Prior to 1898 free trade between these islands and the United States depended upon treaty. In that year the islands were annexed to our country and our tariff laws extended to include them. This legislation has worked wonders for those islands. In 1896 the Hawaiian output of sugar was 198,000 tons. (See Senate Document No. 250, p. 95.)

In 1907 the crop was 420,000 tons. (See Willett & Gray's Weekly Statistical Sugar Trade Journal, January 9, 1908, p. 19.) From reliable information recently received, I understand that this year's crop will be 550,000 tons. It will thus be seen that, under annexation, the crop of Hawaiian sugar has increased from 198,000 tons to 550,000 tons, all of which is admitted free of duty. Surely this increase of 350,000 tons of sugar was not contemplated in the enactment of the Dingley bill of 1897, the provision for it having been made in 1898.

Mr. NEEDHAM. What authority did you say?

Mr. HATHAWAY. A recent conversation with a gentleman very much interested over there.

Mr. NEEDHAM. Have you not any official authority?

Mr. HATHAWAY. The last official authority is, I think, for a year ago, which gives the statement as I have given it here.

Porto Rico came to us by right of conquest—a trophy of the Spanish war. Because of her low wage rate it was at first thought best to maintain a tariff on goods from that island to the United States. This plan was soon abandoned, and the Dingley law was extended around Porto Rico, and our ports thrown wide open to the free admission of her products. Under this stimulus her sugar production has increased from 56,000 tons to 217,000 tons, all of which comes to the United States. Surely the importation of 217,000 tons duty-free sugar from Porto Rico was not contemplated by the original framers of the Dingley bill. What the ultimate production of this island will be it is impossible to estimate.

The Spanish war was no sooner closed by treaty than a campaign was begun for the admission of Cuban sugars into the United States

Digitized by Google

at 50 per cent of the tariff rate. The question came to an issue in Congress in 1902. Fortunately the same political party which declared in 1896 for the protection of the domestic sugar industry was in power and its leaders recognized that men who had already invested $40,000,000 on the strength of that promise had a right to expect its fulfillment. Those who wished the sugar people to foot the generosity bill for the nation were disappointed. Congress failed to grant their request. The following year the fight was renewed. To remove the question from the domain of ethics and place it in the realm of economics it was proposed that the reduction in tariff on goods imported from Cuba should be but 20 per cent and that Cuba should grant a similar reduction from their tariff on articles imported from the United States. The provisions of this arrangement were to be carried out by a five-year treaty to be proclaimed by the President as soon as Cuba complied with the terms of our law. The bill was passed and the treaty made effective December 27, 1903. The friends of the measure claimed that it would not only put Cuba on its feet financially, but would create a great export trade from the United States to that island. The first part of the prophecy has been fulfilled, but not the second.

From Table No. 3 of the United States Annual Report on Commerce for 1907, page 340, the following figures are taken, showing our importations of sugar from Cuba during the first four years of the reciprocity treaty:

	Pounds.
1904	2,819,557,727
1905	2,057,684,169
1906	2,781,901,380
1907	3,236,466,419
Total	10,895,609,695

This sugar averages 96°.

Mr. McCALL. Those are the importations from Cuba?

Mr. HATHAWAY. Yes, sir.

Mr. McCALL. You are reading those in pounds?

Mr. HATHAWAY. Yes, sir; as it is given in the report of the Department of Commerce and Labor. I am glad you called my attention to that. Heretofore the statistics have been given in tons.

Mr. UNDERWOOD. Are those long tons?

Mr. HATHAWAY. Yes, sir; unless specific statement is made to the contrary.

Mr. McCALL. How many tons is that a year?

Mr. HATHAWAY. It will run about 1,250,000 tons.

Mr. McCALL. You have been reading the figures as 2,000,000, etc.

Mr. HATHAWAY. I gave you the exact figures.

Mr. McCALL. You said "million?"

Mr. HATHAWAY. It should be billion pounds. I thank you for calling my attention to it.

The 20 per cent concession amounts to 33.7 cents per 100 pounds, or, on the four years importations, $36,718,204. This amount has been withheld from the National Treasury by the operation of the Cuban reciprocity treaty. Surely the framers of the Dingley bill did not contemplate that 1,440,000 tons of sugar should enter the United States from Cuba yearly at 20 per cent less than the schedule fixed by the law.

Digitized by Google

A fourth modification of the law was made for the benefit of the Philippines. Sugars entering the United States from those islands received a concession of 25 per cent, and the 75 per cent that is actually collected is returned to the insular treasury; thus, as far as our National Treasury is concerned, establishing free trade with those islands. The framers of the Dingley bill certainly did not contemplate the importation of free or concessionary sugar from the Philippines. The combined effect of these tariff modifications is as follows, the figures being taken from page 10 of Willett & Gray's Weekly Statistical Sugar Trade Journal, January 9, 1908, and from Senate Document 250, compiled by O. P. Austin, Chief of the Bureau of Statistics:

In the calendar year 1897 the total consumption of sugar in the United States was 2,070,987 tons. The production of domestic cane sugar that year was 310,537 tons, of domestic beet sugar 39,684 tons, of domestic maple sugar 5,000 tons, making the total domestic crop to be 355,221 tons, none of which paid the duty. In addition to this Hawaii, operating under a treaty with the United States, shipped us free of duty 232,213 tons, making the total nonduty-paying sugar to be 587,434 tons and leaving as the full duty-paying sugar entering the first calendar year of the Dingley bill to be 1,483,544 tons.

In the calendar year 1907 the total consumption of sugar in the United States was 2,993,979 tons. The domestic cane consumption for that year was 264,969 tons, the domestic beet consumption 375,410 tons, the domestic maple consumption 10,000 tons, and the domestic molasses sugar used was 6,249 tons, making the total domestic consumption to be 656,627 tons. The domestic cane crop for that year was 347,000 tons and the domestic beet crop 410,000 tons, the difference between the crop and the consumption being carried over and used early in the calendar year 1908.

In addition to the above domestic crop we use free of duty 418,102 tons from Hawaii and 212,853 tons from Porto Rico. We also used from the Philippines at 75 per cent of the Dingley rate 10,700 tons, and from Cuba at 80 per cent of the Dingley rate 1,340,400 tons, making a total on which tariff concession is allowed of 1,982,055 tons, leaving a balance of 355,297 tons upon which the full rate of duty was paid. This shows that the tariff concessions granted since the passage of the Dingley bill in 1897 have resulted in increasing the free and concessionary sugar imported into the United States by an amount in excess of 1,100,000 tons. These various concessions have reduced the average rate of duty collected on the sugar entering the United States so that if computed on the sugar originally intended by the framers of the Dingley bill to come in on payment of full duty it at present is only $1.14½, as against $1.68½ provided by the Dingley tariff.

The facts, as stated above, are corroborated by to-day's sugar market. The European price for 96° sugar, plus our full duty, is $4.16 per 100, delivered in New York, whereas the price of the same grade of sugar in Louisiana is $3.62½ per 100, or $0.53½ per 100 below the European parity. If this $0.53½ is subtracted from the full rate of duty, viz, $1.68½, it leaves $1.15 as the measure of protection now enjoyed by the domestic sugar producers.

It would thus appear that the general sugar schedule has been cut practically one-third by the various specific modifications that have

Digitized by Google

been made since 1897. It will also be noted that the average tariff at the present time is only about 20 per cent of the Morrill tariff of 1861. It is probable that no other schedule in the entire list can show a reduction of four-fifths from the rate fixed by the tariff of 1861 or a reduction of one-third from the rate fixed by the tariff of 1897.

Probably no decade in the history of the United States, other than that affected directly by war prices, will show a general advance in the price of the various necessities of life as that through which we have just passed. It is, therefore, interesting to note how the price of sugar has been affected. In 1896, the last year of the Wilson bill, when the rate of duty was 40 per cent ad valorem, the average New York price of refined sugar was $4.53 per 100 pounds; in 1907 it was $4.65 per 100 pounds, an increase of only 12 cents per 100 pounds in the decade mentioned. It would be difficult, indeed, to find any other necessity of life that has shown so small an increase in price. The most potent factor in keeping down the price of refined sugar is the domestic beet sugar, a sufficient amount of which is now produced to supply all the people living between the crest of the Rocky Mountains and the Mississippi River. This sugar is marketed at an average price considerably below the standard price of granulated cane sugar and comes upon the market at a time to produce the greatest effect in lowering the price of Cuban raws, and thus establishing a lower value upon which to base the price of eastern cane sugar.

CUBA.

The position of the Cubans on the question of modifying the present sugar schedule is set forth by Edwin F. Atkins in a pamphlet entitled "Tariff Relations with Cuba—Actual and Desirable," Publication No. 565, issued by the American Academy of Political and Social Science.

The following quotation is taken from page 64 of that pamphlet:

> While the present differential duty of .34 cent per pound has proved sufficient to protect Cuba in the United States markets against the lower-cost sugars of Europe and Java, she can not long compete with our domestic sugars against the duty she is now paying of 1.35 cents per pound. As long as the island is prosperous and under some form of United States control, a republican government may be maintained; but should her great sugar industry be made unprofitable, either by cancellation of the treaty or by long continuance of the present high duty against her sugar, revolution, fed by her unemployed, is sure to result in the future, as it has under similar circumstances in the past. Revolution would be followed by a third and final occupation by the United States, by annexation, and finally by abolition of all duties. Whether such a condition is desirable in the near future, either for the United States or for Cuba, is open to grave doubt, but no government in any form, other than one of military force, can be maintained unless the people are given a "square deal," and allowed to benefit through their own industry.
>
> To put the sugar industry of Cuba upon a sound basis does not require the removal of duties here, or such drastic measures as would prevent a fair and just return to our beet sugar and other producers upon their invested capital. But these interests are no longer dependent upon the present high Dingley rates—a liberal reduction can now be made in our sugar schedules; and by continuing the present differential of 34 cents per 100 pounds our large and increasing export trade to the island can be held, through maintaining its leading industry in a sound and healthy condition.
>
> Will our domestic producers allow such reduction, or will they, by pursuing the former policy of Spain, risk all, and bring about the very conditions of free trade which they are so anxious to avoid?

Digitized by Google

It will be observed that Mr. Atkins admits that the present differential duty enjoyed by Cuba, viz, 34 cents per 100 pounds, is ample to protect the interests of Cuba, except in so far as they are threatened by the increased production of beet sugar in the United States. He wishes the total sugar schedule decreased, while the present differential extended to Cuba shall remain the same, for the purpose of curtailing the production of beet sugar in the United States and extending the cane-sugar production of Cuba. In case his request is not granted, he not merely prophesies, but threatens, a revolution in Cuba which will force the annexation of that island and cause ultimate free trade between Cuba and the United States. The mere statement of this proposition, made by an American citizen in the defense of his expatriated American dollars, should be sufficient. I can not believe that the honorable members of this committee will give much weight to such an argument, especially in view of the fact that every statement of Republican principles in every national platform from 1896 to 1908 pledges the Republican party to the maintenance of a tariff which shall develop the domestic sugar industry of the United States so that the sugar which we need in this country shall be grown upon our own soil.

It may not be amiss, however, in this connection to call attention to the actual figures showing our trade with Cuba during the first four years in which the present reciprocity treaty with Cuba has been in effect.

The following figures, compiled from Table No. 3 of the United States Annual Report on Commerce for 1907, page 340, show the sugar importations from Cuba:

1904	pounds	2,819,557,727
1905	do	2,057,684,169
1906	do	2,781,901,380
1907	do	3,236,466,419
Total	do	10,895,609,695

Cuban sugar averages 96°. The 205 per cent concession on this sugar amounts to 33.7 cents per 100 pounds, or, on the four years' importations, $36,718,204. This amount has been withheld from the National Treasury by the operation of the Cuban reciprocity treaty. In 1904 our total importations from Cuba amounted to $76,983,418. In 1907 they were $97,441,690, an increase of $20,458,272.

In 1904 our exports to Cuba were $27,377,465. In 1907 they were $49,305,274, an increase of $21,927,809. (See Monthly Summary of Commerce and Finance, June, 1907, page 2572.)

It will be seen from these figures that in order to increase our exports to Cuba $22,000,000 we have not only been obliged to buy $20,000,000 more goods from Cuba, but have, during the same time, donated to the Cubans from our National Treasury $36,000,000.

It would appear that the concessions we have already granted Cuba have not resulted in any material trade benefit to the United States. The principal effect of these concessions has been to deprive the United States annually of $9,000,000 revenue.

Mr. UNDERWOOD. In speaking of these various concessions, did it reduce the cost of sugar to the consumer?

Mr. HATHAWAY. I am comparing prices with the prices under the Wilson bill.

Digitized by Google

Mr. UNDERWOOD. Can not you compare the prices under the Dingley bill before the new tariff went into effect?

Mr. HATHAWAY. The new Territory came in in 1898, before we had had very much of the Dingley bill.

Mr. UNDERWOOD. But sugar had not then come in?

Mr. HATHAWAY. Oh, yes.

Mr. UNDERWOOD. Sugar was coming from Hawaii all the time. It made no difference in the sugar from Hawaii. Sugar did not begin to come in from Porto Rico until 1900. It is not coming from Hawaii now. The law with relation to the concession in Cuba was not enacted until 1902, so that you may make a comparison with that.

Mr. HATHAWAY. Oh, yes; I can do that and will submit it if you care to have it.

The CHAIRMAN. In relation to the cost and tariff on sugar, do you take into consideration the imported sugar from other countries than Cuba, and do you also take into consideration the sugar from Hawaii and Porto Rico?

Mr. HATHAWAY. We had both of those when the Dingley bill was passed.

The CHAIRMAN. Do you take that into consideration in making your estimate?

Mr. HATHAWAY. Yes, sir.

The CHAIRMAN. Of course the price of sugar is only affected by the tariff on the sugars imported which pay a tariff. These other sugars from Hawaii and Porto Rico might be regarded as domestic, as compared with the duties paid on sugars coming from foreign countries.

Mr. HATHAWAY. I can not agree with you about that, Mr. Chairman.

The CHAIRMAN. I would like to have you show, before you get through, the comparative changes in prices under these various laws, and what was the effect on the sugar market.

Mr. HATHAWAY. I will prepare and submit a brief on that subject.

Mr. MCCALL. And also submit at the same time the question as to whether it is the Hamburg price.

Mr. HATHAWAY. It is not.

Mr. MCCALL. I want you to consider that question.

Mr. HATHAWAY. Well, that is a long story. One would have been led to believe so from the publication of Mr. Atkins recently made, but his premises are somewhat incorrect.

Mr. MCCALL. You claim that the price in Hamburg is not the price in New York?

Mr. HATHAWAY. It is not. The figures absolutely prove that it is not.

Mr. MCCALL. Please submit that also.

Mr. HATHAWAY. I will do so.

Mr. CRUMPACKER. Is the New York price greater than the Hamburg price, plus the duty, or is it lower?

Mr. HATHAWAY. It is lower. Do you refer to the average price under the four years concession?

Mr. CRUMPACKER. Yes, sir.

Mr. HATHAWAY. It is 18.17 cents per hundred lower than the Hamburg price, plus the full duty.

Mr. CLARK. I think it is not quite fair in making your statement to transfer this from one side to the other. This was not before the Dingley bill passed.

Digitized by Google

Mr. HATHAWAY. It is since 1876.

Mr. CLARK. In Hawaii they knew that the sugar treaty was not going to be renewed, and there was not any prospect of their having to pay a tariff on Hawaiian sugar.

Mr. HATHAWAY. The point which I endeavored to make is that at the present rate at which they are developing the sugar industry in Hawaii and the rate at which it has been developed during the past ten years, knowing that they were annexed to the United States and that nothing should separate them, has resulted in a very much more rapid increase of the industry than it was during the preceding years, when their free trade depended upon treaties.

Mr. CLARK. You think that is right?

Mr. HATHAWAY. I do; capital has gone over there to a great extent.

Mr. CRUMPACKER. You have referred to Mr. Atkins in your remarks in relation to Cuba. Does he live in Cuba?

Mr. HATHAWAY. No, sir; he lives in Boston.

Mr. UNDERWOOD. You did not refer to the reduced price in Cuba?

Mr. HATHAWAY. I did in answering Mr. Crumpacker.

Mr. UNDERWOOD. I did not hear that.

Mr. HATHAWAY. I said that the average price in this country during the last four years, because of the concessions, was 18.17 cents per hundred below the European price.

Mr. UNDERWOOD. Did the consumer get the benefit of it?

Mr. HATHAWAY. The concession was 34 cents. The consumer gets the benefit of 18.7 cents.

Mr. UNDERWOOD. He only got a certain portion of it?

Mr. HATHAWAY. Yes, sir.

SPANISH V. AMERICAN MARKETS FOR PHILIPPINE SUGAR.

There is a very general impression that the fiscal laws of the United States are such that the acquisition of the Philippines by the United States has deprived those islands of a Spanish market for their sugar. A statement of the facts will show that this opinion is entirely incorrect. Spain was never a market for Philippine sugars. This statement is made on the authority of the Department of Agriculture of the United States, and is established beyond any controversy by the official statistics.

The people of the United States purchased from the Philippines, in the four years 1903 to 1906, inclusive (which of course covers a period after the islands became a possession of the United States), more sugar than the people of Spain had purchased from the Filipinos in the half century from 1849 to 1898, when Spain lost those islands. One hundred and thirty-four thousand one hundred tons were purchased from the Philippines in that four years by the United States, while but 119,188 tons were purchased by the whole of continental Europe, including, of course, Spain, during the fifty years preceding the American occupation of the archipelago. The people of all continental Europe, including the Spanish people, purchased but 2.2 per cent of the total sugar exported from the Philippine Islands during the half century from 1849 to 1898.

On the authority of Bulletin No. 14 of the Department of Agriculture of the United States, issued in 1898, this statement is made:

Spain during the entire ten years preceding American occupation purchased but 1.7 per cent of the total Philippine exportation of sugar.

Digitized by Google

The United States, in the year ending June 20, 1905, according to the official figures given of imports into the United States, purchased 60 per cent more sugar from the Philippine Islands than Spain had purchased for ten entire years preceding American occupation.

Why was it that Spain did not furnish a constant market for the sugar from the Philippines? The reason lies in the fact that the United States actually levies less tax than did Spain, and moreover that we continue to give, as provided by the law of March 8, 1902, every dollar of duty we collect on Philippine imports back into their insular treasury.

The Spanish law of June 30, 1882, provided for a duty of 12 pesetas per 100 kilograms ($1.05 per 100 pounds) on sugar above No. 14 Dutch standard, when entering Spain from Cuba and Porto Rico, and one-fifth of this amount on Philippine sugar entering Spain, provided in all cases the sugar was shipped in Spanish bottoms.

This law provided for an annual reduction of 10 per cent in this duty until the entire duty should be extinguished, July 1, 1892. Before these duties could be extinguished, under the operation of this tariff law of 1882, the tariff law of December 31, 1891, was passed, which provided that sugar from Cuba, Porto Rico, and the Philippines should be admitted free of duty, but that all such sugar should be subjected to the so-called provisional tax of 8.8 pesetas and a municipal tax of 8.8 pesetas per 100 kilograms, which make a combined internal-revenue tax of 17.6 pesetas per 100 kilograms, or $1.54 per 100 pounds. This law continued in effect one year, when it was superseded by the law of 1892, which, while admitting free of duty the sugar from Cuba, Porto Rico, and the Philippines, subjected such sugar to an internal-revenue tax of 33½ pesetas per 100 kilograms, or $2.94 per 100 pounds. The same law of 1892 subjected domestic sugar to an internal-revenue tax of 20 pesetas, thus placing the sugar of Cuba, Porto Rico, and the Philippines, when received in Spanish bottoms, under a handicap as compared with domestic sugars of 13½ pesetas per 100 kilograms, or $1.18 per 100 pounds.

The full tax, as provided by the Dingley law, on 96° sugar is $1.68½ per 100 pounds. For each degree sugar tests below 96, 3½ cents per 100 pounds is deducted from the full rate. Muscovado sugar (the kind the Filipinos produce) tests 82°, or 14° below 96. The full tariff on such sugar imported into the United States would therefore be $1.20 per 100 pounds. From this tariff the Filipinos enjoy a deduction of 25 per cent, leaving the net tariff on Philippine sugar entering the United States 90 cents per 100 pounds. And be it remembered that every dollar collected by the United States on Philippine imports of whatever nature is returned to the Philippine treasury.

It thus appears that Spain taxed sugar imported from the Philippines $2.94 per 100 pounds, and discriminated in favor of her domestic sugars to the extent of $1.18 per 100 pounds and kept the money, while the United States taxes, under the present laws, sugar coming from the Philippines into this country 90 cents per 100 pounds and returns the money.

It would not appear from the foregoing that the United States has treated its Filipino wards either ungenerously or unfairly, but that it has already extended to that people—by the modification of its tariff

Digitized by Google

laws—a more favorable market for their sugar in the United States than was ever furnished by Spanish markets.

That closes what I had prepared for your consideration.

The CHAIRMAN. I want to ask you about the sugar coming from the Philippine Islands. It has been stated heretofore that that sugar was shipped when the price was high, and before it got here the price had dropped down so low that they actually lost money on the importations into the United States. Do you know anything about that?

Mr. HATHAWAY. I could not answer the question definitely with regard to any given shipment. I know that they continue to ship some sugar to the United States each year.

The CHAIRMAN. I have not examined the statistics. You say that they continue to ship some?

Mr. HATHAWAY. Yes.

The CHAIRMAN. How much did they ship in last year?

Mr. HATHAWAY. Ten thousand seven hundred tons.

The CHAIRMAN. How much the year before?

Mr. HATHAWAY. I can not give you that offhand.

Mr. MCCALL. Do you know how much was shipped to Spain last year?

Mr. HATHAWAY. None. I can give you what was done with the Philippine sugar last year, I think. I will submit it to you if you wish.

The CHAIRMAN. We may ask you some questions you have already answered in your statement.

Mr. HATHAWAY. The total exports from the Philippine Islands for the years 1906 and 1907 were 101,283 tons, of which, speaking in round numbers, there were shipped to the United Kingdom 11,000 tons; to the United States, Atlantic ports, 8,700 tons, and to the Pacific ports 2,000 tons, making the 10,700 tons that I spoke of; to Japan 3,600 tons; to China through Hongkong 38,000 tons, and to China through other ports 37,000 tons, and for use in Manila 500 tons, making 101,000 tons.

The CHAIRMAN. That was the total of the crop, was it not?

Mr. HATHAWAY. No, sir; that was the export crop.

The CHAIRMAN. It approximates it, does it not?

Mr. HATHAWAY. No, sir; the statistics issued by the department show that the annual consumption in the Philippine Islands is 80,000 tons. I have not looked that up for a number of months, however.

The CHAIRMAN. Do you know what the price of sugar at Hamburg is to-day, or was yesterday, or was recently?

Mr. HATHAWAY. What kind of sugar, sir? The last quotation I saw—I have not had an opportunity to look at the market for a few days—was $4.16 f. o. b. New York, duty added.

The CHAIRMAN. I did not catch the year for which you gave the price of sugar at Hamburg.

Mr. HATHAWAY. I gave it to you for eight years, the average for eight years, beginning with the year 1900.

The CHAIRMAN. The average for eight years?

Mr. HATHAWAY. Yes, sir.

The CHAIRMAN. How much was that?

Mr. HATHAWAY. The average on 88° sugar is 2 cents a pound, $2 a hundred, f. o. b. Hamburg. The average for granulated sugar, which they report as first-mark sugar, was $2.38½ a hundred.

Digitized by Google

The CHAIRMAN. Then within those eight years there were three or four years when there was the very lowest price that sugar ever was sold at, were there not?

Mr. HATHAWAY. Some years were quite low.

The CHAIRMAN. What other years do you think sugar was so low?

Mr. HATHAWAY. I could not give you offhand what they were. I am speaking of the eight years I had the figures for.

The CHAIRMAN. What year do you say?

Mr. HATHAWAY. I was giving the figures from 1900 to 1907, both inclusive.

The CHAIRMAN. You take 1901 and 1902; it was $1.80. The next year it was $1.70; the next year $1.04, according to this report, and the next year $2.55.

Mr. HATHAWAY. Excuse me, but in those three years you mention the producer received a bounty of 27 cents a hundred, which can be added to that.

The CHAIRMAN. They are all within the eight years you speak of?

Mr. HATHAWAY. Yes, sir.

The CHAIRMAN. The fact is that the highest price was in 1899 or 1900. Did you quote that year? Was that year included, 1899 and 1900?

Mr. HATHAWAY. The years that I have here are the calendar years, beginning with January 1, 1900.

The CHAIRMAN. You took this from Mr. Austin's report, I understand you?

Mr. HATHAWAY. No, sir; I told you my reference is to Willett & Gray's Weekly Statistical Sugar Trade Journal for January 9, 1908, page 7.

The CHAIRMAN. Austin takes his figures from Willett & Gray. I understood you took those figures from Mr. Austin's report.

Mr. HATHAWAY. Not those figures on prices. Mr. Austin uses these same reports, however.

The CHAIRMAN. And I say that prior to 1901 sugar never went below 2 cents. More frequently it was 3. I only wanted to get that clear before the committee, so that the committee could refer to it. I think I will have printed this table in Mr. Austin's report.

Mr. HATHAWAY. It is a very good table, indeed.

Digitized by Google

(The table referred to is here printed in the record as follows:)

The world's production of beet and cane sugar and average price per pound from 1871 to 1906.

Year.	Beet.	Cane.	Total.	Import price.[a]
	Tons.	*Tons.*	*Tons.*	*Cents.*
1871-72	1,020,000	1,592,000	2,612,000	5.37
1872-73	1,210,000	1,793,000	3,003,000	5.35
1873-74	1,288,000	1,840,000	3,128,000	4.95
1874-75	1,219,000	1,712,000	2,931,000	4.35
1875-76	1,343,000	1,590,000	2,933,000	4.04
1876-77	1,045,000	1,673,000	2,718,000	4.91
1877-78	1,419,000	1,825,000	3,244,000	5.06
1878-79	1,571,000	2,010,000	3,581,000	4.16
1879-80	1,402,000	1,852,000	3,244,000	4.18
1880-81	1,748,000	1,911,000	3,659,000	4.41
1881-82	1,782,000	2,060,000	3,842,000	4.41
1882-83	2,147,000	2,107,000	4,254,000	4.37
1883-84	2,361,000	2,323,000	4,684,000	3.61
1884-85	2,545,000	2,351,000	4,896,000	2.67
1885-86	2,223,000	2,339,000	4,562,000	2.84
1886-87	2,733,000	2,345,000	5,078,000	2.50
1887-88	2,451,000	2,465,000	4,916,000	2.75
1888-89	2,725,000	2,263,000	4,988,000	3.21
1889-90	3,633,000	2,069,000	5,702,000	3.28
1890-91	3,710,000	2,555,000	6,265,000	3.03
1891-92	3,501,000	2,852,000	6,353,000	2.93
1892-93	3,428,000	3,045,000	6,473,000	3.09
1893-94	3,890,000	3,490,000	7,380,000	2.92
1894-95	4,792,000	3,530,000	8,322,000	2.15
1895-96	4,315,000	2,830,000	7,155,000	2.29
1896-97	4,954,000	2,864,000	8,818,000	2.01
1897-98	4,872,000	2,898,000	7,770,000	2.24
1898-99	4,977,000	2,995,000	7,973,000	2.28
1899-1900	5,510,300	2,904,000	8,414,000	2.92
1900-1	6,146,000	3,502,000	9,648,000	2.26
1901-2	6,913,000	4,080,000	10,993,000	1.80
1902-3	5,757,000	4,164,000	9,921,000	1.70
1903-4	6,090,000	4,244,000	10,334,000	1.94
1904-5	4,923,000	4,637,000	9,560,000	2.65
1905-6 [b]	7,215,000	4,958,000	12,173,000	--------

[a] Import price of sugar not above No. 16 Dutch standard.
[b] Provisional estimates of Messrs. Willett & Gray, New York.

The CHAIRMAN. Have other members of the committee any questions?

Mr. UNDERWOOD. You made a comparison this morning of conditions that existed before the enactment of the Dingley bill into a law, in 1897, and the conditions that existed after the concessions were made to the Philippine Islands and Porto Rico, and I asked you then to make a comparison of those conditions with the conditions after the enactment of the Dingley bill.

Mr. HATHAWAY. To what year do you refer?

Mr. UNDERWOOD. None of the concessions were made or were under operation by 1900, were they?

Mr. HATHAWAY. No, sir. Excuse me, the concession to Hawaii was in operation then.

Mr. UNDERWOOD. Leaving out Hawaii, because there was no real concession made by the tariff—the American flag had gone over Hawaii, but there was no advantage in the tariff schedule—we had free trade before that time and free trade afterwards—in 1900 the concession to Porto Rico or the Philippine Islands had not been made, and I would like for you to compare the price of sugar for the year 1900, before the concessions were made, with the price after the concessions had been made.

Mr. HATHAWAY. The average price of granulated sugar in 1900 was $5.32 per 100 pounds.

Digitized by Google

Mr. UNDERWOOD. $5.32?

Mr. HATHAWAY. Yes. Now, what do you want that compared with?

Mr. UNDERWOOD. Compare that with 1906, before the panic conditions came on.

Mr. HATHAWAY. It was $4.51½ in 1906 per 100 pounds, a drop of about 80 cents per 100 pounds.

Mr. UNDERWOOD. You contend that that condition was brought about in the American market by reason of these concessions?

Mr. HATHAWAY. Not entirely.

Mr. UNDERWOOD. What other conditions entered into it?

Mr. HATHAWAY. The crop abroad for the corresponding years.

Mr. UNDERWOOD. Were there any importations of refined sugar in those years that justify that conclusion?

Mr. HATHAWAY. It is not necessarily the question of the importation of refined sugar. It is as well the importation of raw sugar.

Mr. UNDERWOOD. Then, in reality, the competition that the sugar interests have in this country is with the American Sugar Refining Company?

Mr. HATHAWAY. It is with the refined sugar from any source whatever.

Mr. UNDERWOOD. But as a practical proposition there is no refined sugar which comes from any other source, is there?

Mr. HATHAWAY. What?

Mr. UNDERWOOD. There is no refined sugar imported into this country from any other source, is there?

Mr. HATHAWAY. No, sir; the American Sugar Refining Company does not refine all the sugar that is refined in this country.

Mr. UNDERWOOD. It does refine the bulk of it?

Mr. HATHAWAY. About 55 or 60 per cent of it.

Mr. UNDERWOOD. But the competition is with the American refineries of cane sugar?

Mr. HATHAWAY. Largely, sir.

Mr. UNDERWOOD. And it is not competition from abroad?

Mr. HATHAWAY. There is, under present conditions, comparatively little refined sugar that enters into the United States from abroad. There are certain years when a little has come in.

Mr. UNDERWOOD. Is there any year since these concessions to Porto Rico and the Philippine Islands became operative that the price of sugar has been equal to that in the year 1900, before they became operative?

Mr. HATHAWAY. Will you state that question once more?

Mr. UNDERWOOD. Is there any year since the concessions became operative when the price of sugar in this country was equal to the price of sugar in 1900, at the time before they became in operation?

Mr. HATHAWAY. No, sir; the nearest approach to it was in the year 1905, when the price of refined sugar was 2 cents higher—the average price was between 2 and 3 cents per hundred pounds lower—than it was in 1900.

Mr. UNDERWOOD. Between 2 and 3 cents per hundred?

Mr. HATHAWAY. Between 2 and 3 cents per hundred pounds; yes, sir. To be exact, it was 3.6 cents per hundred pounds.

Mr. UNDERWOOD. You stated in your statement that the cost of bringing refined sugar from Hamburg to this country, I believe, amounted to 9 cents a hundred pounds.

Digitized by Google

Mr. HATHAWAY. I said the freight was that.

Mr. UNDERWOOD. The freight was that. What additional cost is there besides the freight?

Mr. HATHAWAY. I suppose the insurance and dockage.

Mr. UNDERWOOD. What will that amount to?

Mr. HATHAWAY. I can not answer that question.

Mr. UNDERWOOD. How far from the port of Hamburg, in the interior, are the German sugars manufactured?

Mr. HATHAWAY. I can not give you the exact distance; but the prices I am quoting are the f. o. b. Hamburg prices.

Mr. UNDERWOOD. Do you know the cost of the freight from the manufactory in Germany to the seaport?

Mr. HATHAWAY. I do not, because the quotations are always given f. o. b. Hamburg.

Mr. UNDERWOOD. Do you know the cost in Germany of refined sugar—beet sugar?

Mr. HATHAWAY. No, sir; I have given you the selling price.

Mr. UNDERWOOD. You have not got the cost?

Mr. HATHAWAY. I have not the cost. There will be another gentleman who will appear here who I think can give you some idea of the relative wages paid in the factories there and here; but as to the actual cost of the production, I can not give you that. It is very difficult to ascertain.

Mr. UNDERWOOD. What is the name of the company you represent?

Mr. HATHAWAY. The Michigan Sugar Company.

Mr. UNDERWOOD. That has six factories?

Mr. HATHAWAY. Yes.

Mr. UNDERWOOD. Some in Michigan and some in Colorado?

Mr. HATHAWAY. No, sir; all in Michigan.

Mr. UNDERWOOD. Has that company any connection whatever with the American Sugar Refining Company?

Mr. HATHAWAY. No, sir.

Mr. UNDERWOOD. Is there any agreement between the refining companies—the companies that refine cane sugar and beet sugar refineries—as to the maintenance of prices?

Mr. HATHAWAY. No, sir.

Mr. UNDERWOOD. It is an open competition and a free market?

Mr. HATHAWAY. Yes, sir.

Mr. UNDERWOOD. Then, as a matter of fact, the competition that you mean does not come from the beet sugar interests of Germany or the European sugar interests, but the competition which you meet comes from the importation into this country of the raw sugar, largely coming from Cuba; is that it?

Mr. HATHAWAY. The competition which we meet?

Mr. UNDERWOOD. I mean the foreign competition. You have the American competition, but the foreign competition grows out of the importation of raw sugar from Cuba?

Mr. HATHAWAY. It grows out of the importation not only from Cuba, but anywhere else. Given the price of raw sugar, the price of refined sugar will range somewhere from 70 cents to a dollar a hundred above the price of raw sugar. If you cut down the price of raw sugar, the price of refined sugar usually follows it.

Mr. UNDERWOOD. The great bulk of the importation of sugar into this country to-day comes from Cuba, does it not?

Mr. HATHAWAY. Yes, sir.

Digitized by Google

Mr. UNDERWOOD. So that is the base where the refiners of America get the cane sugar from abroad to compete with the sugar here?

Mr. HATHAWAY. The principal other cane sugar which they get is from Java.

Mr. UNDERWOOD. The amount of that is very small?

Mr. HATHAWAY. About 300,000 tons annually.

Mr. UNDERWOOD. And the amount of raw sugar that comes from Cuba is how much?

Mr. HATHAWAY. I gave it you here in pounds, sir. I will give it to you again.

Mr. UNDERWOOD. It is something like 1,600,000 tons, is it not?

Mr. HATHAWAY. No, sir. From Table No. 3 of the United States annual report on commerce for 1907, page 340, the following figures are taken, showing our importations of sugar from Cuba during the following years: 1904, 2,819,000,000 pounds; 1905, 2,057,000,000 pounds; 1906, 2,781,000,000, and 1907, 3,236,000,000 pounds.

Mr. UNDERWOOD. You have not reduced those quantities to tons?

Mr. HATHAWAY. No, sir.

Mr. UNDERWOOD. So that you can not state it in that way?

Mr. HATHAWAY. Not offhand.

Mr. UNDERWOOD. If we were to reduce the differential on refined sugar and increase the duty correspondingly on raw sugar, what effect would that have on the beet sugar interests of the country?

Mr. HATHAWAY. It is problematical. It would be very difficult for me to answer that question.

Mr. UNDERWOOD. Would not that receive as much protection?

Mr. HATHAWAY. I said it was problematical, and you will understand that my answer is an expression of personal opinion.

Mr. UNDERWOOD. I would like to have your opinion on that question.

Mr. HATHAWAY. It would prevent, in my opinion, a competition in granulated sugar, so that we would have not merely the American sugar refined here, if any were refined, but also the refined sugar from abroad. We would have a competition here resulting from imported refined sugar.

Mr. UNDERWOOD. In that competition from abroad the sugar, whether refined or raw sugar, would have to pay the same tax as it pays now?

Mr. HATHAWAY. Very true.

Mr. UNDERWOOD. And under the tax it pays now—the tax is practically prohibitive—there is practically no importation of refined sugar into this country now?

Mr. HATHAWAY. That is true.

Mr. UNDERWOOD. If the same amount of tax were levied in a different way, it would still be prohibitive, would it not?

Mr. HATHAWAY. It might.

Mr. UNDERWOOD. And I want to know if that would not have a tendency to develop the sugar industry in this country without increasing the cost to the consumer, by changing the schedule?

Mr. HATHAWAY. I do not know whether it would or not.

Mr. UNDERWOOD. That is all I wanted to ask you.

The CHAIRMAN. Are there any further questions?

Mr. CRUMPACKER. Mr. Hathaway, how does the domestic price of sugar in Germany compare with the export price?

Mr. HATHAWAY. It is much higher.

Digitized by Google

Mr. CRUMPACKER. What occasions that difference?

Mr. HATHAWAY. The tariff and the cartel.

Mr. CRUMPACKER. Yes; so then does the export price fairly represent the cost of production?

Mr. HATHAWAY. It may not; but it represents the price with which American sugar must compete.

Mr. CRUMPACKER. Yes; under the present law.

Mr. HATHAWAY. Under existing circumstances; yes, sir.

Mr. CRUMPACKER. Does the German Government grant any concessions in the way of rebates of freight?

Mr. HATHAWAY. I do not know.

Mr. CRUMPACKER. You are not informed upon that question?

Mr. HATHAWAY. No, sir.

Mr. CRUMPACKER. In relation to the profit that the farmer gets out of beets, how many tons to the acre is the average yield?

Mr. HATHAWAY. In Michigan the average yield is about from 9 to 10 tons per acre.

Mr. CRUMPACKER. Nine to 10 tons?

Mr. HATHAWAY. Yes; going back over the records since we started.

Mr. CRUMPACKER. And the farmer averages about $50 an acre from his beet crop?

Mr. HATHAWAY. About $5.75 a ton, $50 to $60 an acre.

Mr. CRUMPACKER. Fifty dollars to $60 is the average, you think?

Mr. HATHAWAY. Yes, sir.

Mr. CRUMPACKER. Beets have to be hand cultivated, largely?

Mr. HATHAWAY. Yes, sir.

Mr. CRUMPACKER. And farmers largely grow beets in connection with other products?

Mr. HATHAWAY. Always.

Mr. CRUMPACKER. How large areas do the farmers usually cultivate?

Mr. HATHAWAY. I am very glad you asked that question. I overlooked it. The average size of a contract we make with a Michigan farmer ranges between 3.9 acres and 4 acres; practically 4 acres.

Mr. CRUMPACKER. From 3.9 acres to 4 acres?

Mr. HATHAWAY. Yes, sir. In other words, we have from 1,700 to 2,000 farmers growing beets for each factory.

Mr. CRUMPACKER. Do your factories own any land and cultivate any beets?

Mr. HATHAWAY. We have one small farm, which we use for experimental purposes only.

Mr. CRUMPACKER. Do you find any difficulty in contracting with the farmers for a sufficient quantity of beets to keep your mills in operation?

Mr. HATHAWAY. We have less and less difficulty every year. At the present time we have about 80 per cent of our clientage that remains with us from one year to the next as a permanent force.

Mr. CRUMPACKER. Do women and children in Michigan cultivate beets?

Mr. HATHAWAY. To a very small extent in certain limited areas, especially in the vicinity of Bay City and Saginaw, where there is a large Polish population.

Mr. CRUMPACKER. In Germany women and children cultivate the crop of beets.

Mr. HATHAWAY. I understand so.

Digitized by Google

Mr. CRUMPACKER. The sugar content is much higher in Germany than in this country.

Mr. HATHAWAY. Yes; I understand so.

Mr. CRUMPACKER. Is their ton yield per acre greater in Germany?

Mr. HATHAWAY. The official statistics say so.

Mr. CRUMPACKER. They cultivate and farm more intensively and fertilize more also, there?

Mr. HATHAWAY. I suppose so. May I interrupt your questions just a moment? I think there are some gentlemen here who may possibly be heard later who have recently visited the German beet fields, and who may have more exact information than I have. My knowledge on that point is largely from reading.

Mr. CRUMPACKER. Do you think, in view of our industrial conditions in this country, that the beet sugar industry can develop so as to supply practically all of the consumption here?

Mr. HATHAWAY. I do not doubt it, sir.

Mr. CRUMPACKER. That is all.

Mr. FORDNEY. How many farmers are raising beets in the State of Michigan?

Mr. HATHAWAY. About 30,000.

Mr. FORDNEY. And in the neighborhood of 130,000 acres of land, then, are planted in that crop?

Mr. HATHAWAY. Yes, sir; 120.000 to 130,000 acres.

Mr. FORDNEY. Which yields them about $60 an acre?

Mr. HATHAWAY. From $50 to $60 an acre.

Mr. FORDNEY. It has been stated many times here before Congress at various hearings that it costs from $25 to $30 per acre to produce beets and deliver them to the factory.

Mr. HATHAWAY. My estimate of the labor cost in the production of beets is about $33 to the acre.

Mr. FORDNEY. Thirty-three dollars?

Mr. HATHAWAY. I am judging from my own experience in raising them.

Mr. FORDNEY. Is it not true that the percentage of sugar beets in Michigan has increased since the industry started?

Mr. HATHAWAY. The general tendency is upward.

Mr. FORDNEY. As they become better acquainted with the work?

Mr. HATHAWAY. And pursue better lines of farming.

Mr. FORDNEY. On the same point as the question asked by Mr. Crumpacker, the only employment that women and children are put to in the raising of beets in the United States is that of thinning the beets, and not cultivating them?

Mr. HATHAWAY. That is true.

Mr. FORDNEY. Just thinning them?

Mr. HATHAWAY. Usually in the month of July.

Mr. FORDNEY. That is all.

Mr. GAINES. You said, as I understood, in answer to a question of Mr. Crumpacker, that the export price of German sugar was less than the home price in Germany—the domestic price there?

Mr. HATHAWAY. Yes, sir.

Mr. GAINES. How much is the difference; do you know?

Mr. HATHAWAY. I can not give you the exact data at the present time, but I think there are gentlemen who will follow me who can give you very accurate information on that.

Digitized by Google

Mr. GAINES. Somebody else is going to take that up?

Mr. HATHAWAY. I would rather have you get the exact fact than my understanding of the fact.

Mr. CLARK. What is there about the cultivation of sugar beets that makes them so much more expensive to cultivate than corn and tobacco, and things like that?

Mr. HATHAWAY. Sugar beets are sowed in continuous rows, about 18 or 20 inches apart, about 15 to 18 pounds of seed being used on an acre. When the beets come up they come up in a continuous row. Then when the plant is about finger high, we go through with a short-handled hoe, and cut across the rows, leaving little islands of beets, each 10 inches. Then, having done that, we must get down and pull out of those islands all save the most healthy beet. The first process we call blocking and the second thinning. It is expensive because it must be done by hand. We cultivate those beets, and after having cultivated them they must be hoed in order to get the weeds out of the row itself. The distance between the rows being much less than the distance between the rows of corn, it requires hand labor. Then when it comes to the harvesting, each individual beet has to be pulled from the ground. First a lifter, something like a two-pronged plow, is used, and then each individual beet has to be pulled by hand and the top cut off.

Mr. CLARK. They have to be cultivated?

Mr. HATHAWAY. We cultivate them; yes, sir. We go over them about five times during the summer.

Mr. CLARK. There is not much more labor in cultivating an acre of beets than in cultivating an acre of tobacco, is there?

Mr. HATHAWAY. I am not posted on the cultivation of tobacco. I do not like to give information on things I do not know about.

Mr. CLARK. You say the cost of labor in raising an acre of beets is about $33?

Mr. HATHAWAY. That is about the price.

Mr. CLARK. Let me ask you this, solely for information; has not the Department of Agriculture been experimenting on some kind of a theory by which they can reduce this labor cost?

Mr. HATHAWAY. Yes, sir.

Mr. CLARK. They have not succeeded yet?

Mr. HATHAWAY. No, sir.

Mr. CLARK. Does anybody know how much land in the United States is available for raising sugar beets?

Mr. HATHAWAY. According to the agricultural reports, it is practically unlimited.

Mr. CLARK. You can raise them anywhere?

Mr. HATHAWAY. No, sir; it depends largely upon climatic conditions and soil conditions.

Mr. CLARK. There is one other question which, if the committee will excuse me, I would like to ask. What is the reason that the sugar beet raised in Illinois, where there is the richest soil in the United States, has a small quantity of saccharine matter? It does not do any good in Illinois and it does not do any good in Missouri.

Mr. HATHAWAY. I can not answer that question, sir. I think you will probably get an opportunity of asking that question of Mr. Saylor, who is an expert on that line.

Mr. CLARK. I asked that just as a matter of curiosity.

Digitized by Google

Mr. HATHAWAY. I was in hopes Mr. Underwood would say something about the question of freights into the interior of the United States.

Mr. UNDERWOOD. I overlooked that. I am glad you called my attention to it. You stated in your direct statement that the sugar interest that is located in the West and Northwest produces a sufficient amount of sugar to supply the territory between the Mississippi River and the Rocky Mountains, I believe? That is your natural territory to supply with sugar, is it not, according to the freight rates? That is, you can reach that territory cheaper by freight than you can other territory, can you not?

Mr. HATHAWAY. Now, you are speaking of the United States beet crop as a whole, or are you speaking of that produced in Michigan?

Mr. UNDERWOOD. I am speaking of the beet crop as a whole.

Mr. HATHAWAY. Thank you. While it is true that a sufficient amount of granulated beet sugar is now produced in the United States to supply all the people from the Rocky Mountains to the Mississippi River, it is equally true that beet sugar is put on the market only about six or seven months of the year. There is a little carried over in the high altitudes of Colorado. In order to sell that product in the six or seven months of the year that it is on the market, it must be brought much farther east than is indicated in your question. In fact, beet sugar finds a market as far eastward as central Pennsylvania and New York. The larger part of the crop is marketed in Michigan, Indiana, Illinois, Ohio, and western and central New York.

Mr. UNDERWOOD. It does not reach as far east as the seaboard?

Mr. HATHAWAY. Not to any extent.

Mr. UNDERWOOD. The freight rate protects you to that extent?

Mr. HATHAWAY. I am glad you asked that question. Sugar is refined at the following principal points in the United States: Boston, New York Harbor, Philadelphia, Baltimore, New Orleans, and San Francisco. The trade conditions compel each of those refineries to market the major portion of its output as near the refinery as possible. Now, when you go into the New England States the price of sugar is based on the Boston price, plus the freight from Boston. If you go into the Southern States, the price is based on the New Orleans price, plus the freight from New Orleans. That is, the delivered price is based on that. Now, we must pay the freight and compete with that price. Take Pittsburg, which is a large market for beet sugar. Pittsburg takes a price 16½ cents above the Philadelphia price—the f. o. b. Philadelphia price—the freight rate from Philadelphia being 16½ cents, as against 18½ cents from New York; so that the Pittsburg price is 16½ cents above the Philadelphia price. When we sell in Pittsburg we must prepay the freight from Michigan to Pittsburg, which in this particular case is 17 cents. Moreover, when we enter the Pittsburg market, instead of selling at the eastern price our sugar is put upon the market at 10 cents to 25 cents a hundred pounds less than the Pittsburg price of eastern sugar.

Mr. UNDERWOOD. Why 10 cents to 25 cents less than the eastern price?

Mr. HATHAWAY. I am very much obliged for that question, because it brings up an interesting thought. In the first place, we can only furnish sugar for about six or seven months of the year. The eastern

Digitized by Google

refiner can furnish it the year around. In the next place we only manufacture granulated sugar. The eastern refiner makes all grades of sugar—granulated, cube, powdered, soft sugars, and everything of the kind. We can only compete with him in the granulated market. To induce that jobber to buy his granulated sugar from us, while he buys his other grades of sugar from the eastern man, we must needs make him a concession in the price.

Mr. UNDERWOOD. Why can you not sell your sugar all the year around, like the other people? Does not your sugar stand storage as well as the cane sugar?

Mr. HATHAWAY. Thank you. The cane sugar which is stored is not, as a usual thing, granulated sugar. It is stored in a raw state, and the granulated sugar that is put by the eastern refiner upon the market is a fresh granulated sugar. If you store that granulated sugar in a moist climate it will in the course of a few months lose its granulation, so that it becomes a coffee-A sugar, and loses in price from the price commanded by a granulated sugar to the price commanded by a coffee-A sugar. Now, the only place where it has been found you can successfully store granulated sugar the year around is in the high and dry altitudes of Colorado and Utah. They can store sugar there and it does not become moist. To avoid the dog days in the summer, through which we do not wish to carry our sugar, we move it as I have just indicated.

Mr. UNDERWOOD. You are protected, though, in the western markets from the competition both of the cane sugar producers and any foreign competition by reason of a railroad rate that is in your favor?

Mr. HATHAWAY. Now, you are speaking of the beet sugar in general?

Mr. UNDERWOOD. Yes.

Mr. HATHAWAY. May I call your attention to this fact: That Colorado has a population of only 500,000 people, and her consumption of sugar is only 17,000 tons. When you get as far east as the Mississippi River you equalize freights with the eastern man. In other words, your freight and the eastern man's freight are practically the same.

Mr. UNDERWOOD. But the Michigan producer of sugar is very much nearer that market which covers that field.

Mr. HATHAWAY. Which market do you mean?

Mr. UNDERWOOD. The Mississippi River market.

Mr. HATHAWAY. I beg your pardon, but we can not get there at all. The freight rate to many of the points on the Mississippi River is actually greater than the freight rate from either New Orleans or New York.

Mr. UNDERWOOD. That is a question of freight rates.

Mr. HATHAWAY. It is a question of facts. I will give you some illustrations. For instance, take St. Louis. The freight rate from New Orleans to St. Louis is 18 cents. We pay 18 cents. This year was the first year we have ever been able to get in there for 18 cents. The freight rate from Louisville to New Orleans is 18 cents, with a 2-cent rebate, published in the tariff, while it costs us 18 cents to get to Louisville, and Louisville is twice as far from New Orleans as it is from Michigan.

Mr. UNDERWOOD. That is due to the freight rate, and that may be corrected and should be corrected.

Digitized by Google

Mr. HATHAWAY. We have tried to get those rates corrected, and we can not.

Mr. GAINES. It is due to water competition at Louisville?

Mr. HATHAWAY. Yes, sir.

Mr. CRUMPACKER. That is a good argument for inland waterways.

Mr. HATHAWAY. I will give you another illustration bearing on that. The freight rate on Michigan sugar moving south, crossing the Ohio River, for 100 miles into the State of Kentucky, is more than it is from New Orleans to the same point, 800 miles.

Mr. UNDERWOOD. How much of your sugar that you produce in Michigan do you sell in the immediate territory, the immediate neighborhood?

Mr. HATHAWAY. You mean in the State of Michigan itself?

Mr. UNDERWOOD. In the close-lying territory—surrounding?

Mr. HATHAWAY. I wish you would define that a little more.

Mr. UNDERWOOD. I will ask you this: What is the zone, what is the size of the zone, in which you sell your sugar?

Mr. HATHAWAY. In which we operate?

Mr. UNDERWOOD. In which you operate. I mean for the bulk of your sales.

Mr. HATHAWAY. You say the Michigan Sugar Company, now?

Mr. UNDERWOOD. Yes.

Mr. HATHAWAY. Michigan, Ohio, Indiana, Illinois, western Pennsylvania, and western New York.

Mr. UNDERWOOD. Within that zone in which you mostly operate, what is the advantage of freight rates you have over sugar coming from the Atlantic seaport?

Mr. HATHAWAY. The average difference is from one-fourth to one-third of the differential at which we sell our sugar below the eastern sugar.

Mr. UNDERWOOD. I do not understand your answer. Could you give it to me in figures—how much a pound?

Mr. HATHAWAY. We figure it always on the hundredweight.

Mr. UNDERWOOD. On the hundredweight; yes.

Mr. HATHAWAY. The average freight rate on which we operate in the territory in which we deal is about 5 cents a hundred pounds to our advantage.

Mr. UNDERWOOD. Therefore you have that much advantage over the imported sugar in that zone?

Mr. HATHAWAY. Provided we could sell at the imported sugar price, but we are underselling that sugar by about 20 cents a hundred, leaving us at a disadvantage of about 15 cents a hundred.

Mr. UNDERWOOD. Is beet sugar used for all the purposes for which cane sugar is used?

Mr. HATHAWAY. Yes, sir.

Mr. UNDERWOOD. The only disadvantage is the inability to store it during the year?

Mr. HATHAWAY. And I told you we could furnish only one grade of sugar, granulated sugar.

Mr. UNDERWOOD. Yes.

Mr. CLARK. I would like to ask Mr. Hathaway two or three questions.

Mr. HATHAWAY. Mr. Chairman.

Mr. CLARK. I wanted to ask you one or two questions about something that there has not been a thing said about, except incidentally.

When you were testifying the other day and were giving facts and figures as to costs and profits, and all that, you never anywhere took into consideration, or stated to the committee at least, what income or profit you have from the by-products of the beet sugar manufacture. I was very much interested in the matter, because I was up there once and talked to the men about it, and they were just beginning to try to do something about it.

Mr. HATHAWAY. Thank you, sir. All of the results obtained from the use of the by-products were taken into consideration, as far as we are concerned, when I gave you the cost of our production. Against the total expenses had been charged the receipts from by-products.

Mr. CLARK. I did not know whether you took that into consideration or not.

Mr. HATHAWAY. I did.

EXHIBIT A.

[From Willett & Gray's Weekly Statistical Sugar Trade Journal, January 9, 1908.]

Consumption of sugar in the United States.

	1907.	1906.	1905.
	Long tons.	*Long tons.*	*Long tons.*
Melting of the four ports	1,948,000	1,992,000	1,786,000
Of which were domestic from Louisiana crop	29,650	24,954	29,484
	1,918,350	1,967,046	1,756,516
Meltings of foreign sugar through New Orleans	241,153	159,217	145,806
Meltings of foreign sugar through Galveston	----------	3,714	4,300
Foreign refined through Galveston, New Orleans, and interior ports	219	956	311
	2,159,722	2,130,933	1,906,933
Export of raw sugars from Atlantic ports	737	----------	----------
Export of refined sugars from Atlantic ports	5,420	4,540	4,464
Total exports to be deducted	6,157	4,540	4,464
Consumption of foreign sugar through Atlantic ports	2,153,565	2,126,393	1,902,469
Consumption of foreign sugar through San Francisco	183,787	155,206	153,623
Total consumption of sugar from foreign countries and insular possessions	2,337,352	2,281,599	2,056,092
Louisiana cane crop consumed during year	252,968	254,947	322,522
Texas cane crop consumed during year	12,000	13,000	12,000
United States beet sugar consumed during year	375,410	300,317	220,722
United States maple sugar consumed during year	10,000	6,000	9,000
Molasses sugar made in United States from foreign molasses	6,249	8,150	11,880
Total consumption of domestic sugar	656,627	582,414	576,124
Total consumption of all sugar in the United States	2,993,979	2,864,013	2,632,216

Consumption per capita is 77.54 pounds in 1907, 76.1 pounds in 1906, 70.5 pounds in 1905, 75.3 pounds in 1904, 70.9 pounds in 1903, 72.8 pounds in 1902, 69.7 pounds in 1901, 66.6 pounds in 1900, 61 pounds in 1899, 60.3 pounds in 1898, 63.5 pounds in 1897, 60.9 pounds in 1896, 64.23 pounds in 1895, 66.64 pounds in 1894, 63.83 pounds in 1893, 63.76 pounds in 1892, 67.46 pounds in 1891, 54.56 pounds in 1890, 52.64 pounds in 1889, 54.23 pounds in 1888, 53.11 pounds in 1887, 52.55 pounds in 1886, 49.95 pounds in 1885, and 51 pounds in 1884.

Total consumption of United States:

1907, as above, 2,993,979 tons; increase, 4.538 per cent.
1906, as above, 2,864,013 tons; increase, 8.806 per cent.
1905, as above, 2,632,216 tons; decrease, 4.876 per cent.
1904, as above, 2,767,162 tons; increase, 8.531 per cent.
1903, as above, 2,549,643 tons; decrease, 0.642 per cent.
1902, as above, 2,566,108 tons; increase, 8.169 per cent.
1901, as above, 2,372,316 tons; increase, 6.868 per cent.
1900, as above, 2,219,847 tons; increase, 6.826 per cent.
1899, as above, 2,078,068 tons; increase, 3.750 per cent.

Digitized by Google

Total consumption of United States—Continued.

1898, as above, 2,002,902 tons; decrease, 3.287 per cent.
1897, as above, 2,070,978 tons; increase, 6.747 per cent.
1896, as above, 1,940,086 tons; decrease, 0.495 per cent.
1895, as above, 1,949,744 tons; decrease, 3.129 per cent.
1894, as above, 2,012,714 tons; increase, 5.606 per cent.
1893, as above, 1,905,862 tons; increase, 2.832 per cent.
1892, as above, 1,853,370 tons; decrease, 1.016 per cent.
1891, as above, 1,872,400 tons; increase, 22.963 per cent.
1890, as above, 1,522,731 tons; increase, 5.767 per cent.
1889, as above, 1,439,701 tons; decrease, 1.205 per cent.
1888, as above, 1,457,264 tons; increase, 4.620 per cent.
1887, as above, 1,392,909 tons; increase, 2.736 per cent.
1886, as above, 1,355,809 tons; increase, 8.109 per cent.
1885, as above, 1,254,116 tons; increase, 0.140 per cent.
1884, as above, 1,252,366 tons; increase, 7.006 per cent.
1883, as above, 1,170,375 tons; increase, 10.286 per cent.
1882, as above, 1,061,220 tons; increase, 6.813 per cent.
1881, as above, 993,532 tons.

Average increase for twenty-six years, 4.479 per cent.

NOTE.—There were no importations of sugar in 1907 at any ports in the United States except New York, Boston, Philadelphia, Baltimore, New Orleans, Galveston, San Francisco, Chicago, Detroit, Cincinnati, and Puget Sound.

RECAPITULATION.

	1907.	1906.	1905.
Total consumption of sugar in United States ..... tons	2,993,979	2,864,013	2,632,216
Compared with preceding year—increase ..... do	129,966	231,797	*134,946
Do ..... per cent	4.538	8.806	*4.876
Consumption consisted of:			
Domestic cane (Louisiana and Texas) ..... tons	264,968	267,947	331,522
Domestic beet ..... do	375,410	300,317	220,722
Maple ..... do	10,000	6,000	9,000
Molasses sugar ..... do	6,249	8,150	11,880
Total domestic ..... do	656,627	582,414	576,124
Hawaii (cane) ..... do	418,102	343,857	376,497
Porto Rico (cane) ..... do	212,853	193,978	124,928
Philippine Islands (cane) ..... do	10,700	41,900	14,673
Cuba (cane) ..... do	1,340,400	1,165,994	1,101,611
Total on which tariff concession allowed ..... do	1,982,055	1,745,729	1,617,709
Total foreign on which full duty assessed ..... do	355,297	535,870	438,383
Of which foreign raw cane ..... tons	347,509	357,057	412,560
Of which foreign raw beet ..... do	6,780	175,827	22,161
Of which foreign refined beet ..... do	949	2,734	1,844
Of which foreign cane ..... do	59	252	1,818
Amount refined by American Sugar Refining Co ..... do	1,401,061	1,408,503	1,325,692
Amount refined by independent refiners ..... do	1,064,827	1,031,831	939,557
Amount refined by beet sugar factories ..... do	375,358	300,059	220,477
Amount refined by Hawaiian cane factories ..... do	1,674	16,964	17,292
Amount refined by foreign refiners ..... do	1,008	2,986	3,662
Total amount refined sugar ..... do	2,843,928	2,760,343	2,506,680
Percentage of refined sugar manufactured by American Sugar Refining Co ..... per cent	49.27	51.03	52.89
Percentage of refined sugar manufactured by independent refiners ..... per cent	37.44	37.38	37.48
Percentage of refined sugar manufactured by beet sugar factories ..... per cent	13.19	10.87	8.79
Percentage of refined sugar manufactured by Hawaiian cane factories ..... per cent	.06	.61	.69
Percentage of refined sugar manufactured by foreign refiners ..... per cent	.04	.11	.15
Consumed in raw or plantation state ..... tons	150,051	103,670	125,536
National Sugar Refining Co. production (included with independent refiners) ..... tons	306,000	326,000	296,000
Average difference between raw and refined ..... per pound	$0.898	$0.829	$0.978

* Decrease.

Digitized by Google

STATEMENT OF CARMAN N. SMITH, REPRESENTING THE OWOSSO SUGAR CO. OF OWOSSO AND LANSING, MICH.

MONDAY, *November 16, 1908.*

Mr. SMITH. Mr. Chairman and gentlemen of the committee, I represent the Owosso Sugar Company, a Michigan corporation operating two sugar factories in the State of Michigan—one at the city of Owosso, with a capacity of 1,200 tons of beets daily, and one at the city of Lansing, with a capacity of 600 tons daily. The company is capitalized for $1,250,000, but has an actual investment in the State of Michigan of over $2,000,000 in the beet sugar business. The money was invested almost entirely by Pittsburg and Philadelphia individuals. We have been engaged in the sugar business now for five years. I appear at this hearing for the purpose of expressing the conviction that it is absolutely essential to the success or continuance of the beet sugar business in Michigan—at least so far as I am acquainted with it—that the present tariff rates should at least be maintained as they now are; and I am firmly convinced, in order that the business may be particularly prosperous or expand, that there ought to be an additional duty levied on sugar; but we do not come here for the purpose of asking that, although I understand that in the demand for a revision of the tariff and the promise that the tariff shall be revised it is entirely possible that this revision might in some instances bring an increased rate of duty on some items of the schedule.

I wish to call the attention of the committee to one fact. The investment which our company made in the sugar business was one which was made on the invitation and urgent advice of the United States Government through its Department of Agriculture; and also it was based upon the recognized policy of the administration and the party in power of protecting and encouraging domestic or home industries. If it had not been for this encouragement and for the pledge made by the Republican party in its platform, and the reliance that we had upon the continuance of the policy of protection, I am certain that this particular investment never would have been made. It is an unfortunate fact that ever since the investment was made and we commenced doing business one of the most urgent demands upon our time and attention has been for the resisting of efforts made in the Congress of the United States, not with malice, but, as we believe with the certain result, if successful, of hampering or destroying this industry. It has seemed a little to us like a breach of faith, and if the money had gone to the people who made the representations I should feel a little as if we had ground for an action for obtaining money under false pretenses. But that is a little aside from the subject-matter. The principal thing I want to impress upon this committee is this, that at least as much protection as we now have is absolutely necessary in order to enable the beet sugar companies to do business and simply to survive. The only way in which that can be demonstrated—and it seems to me it ought to cover the whole question—is this: What does it cost the average beet sugar factory in the United States to make its finished product? In the case of our company, we having been operating for five years, I can say that the

Digitized by Google

figures presented here by Mr. Hathaway, from $3.75 to $4 per hundred, are too low.

It has cost our company on an average a little over $4 a hundred to make its finished product since we have been in business. Of course in different years the cost varies according to the abundance of supplies, the length of time we can run, and the quality of the beets, but the average is a little over $4 per hundred. The average selling cost for the past five years was given by Mr. Hathaway as $4.35 a hundred. In some cases the sugar factories have been able to sell in more advantageous markets than others, but I think an average of $4.35 to $4.40 would practically represent the net return from what we have manufactured. That leaves a margin of profit which must pay all the interest and returns on the investment, all the depreciation in the plant, of 40 cents a hundred pounds. We have a maximum protection under the Dingley tariff of $1.68½ per hundred. Now, if you wish to encourage capital to remain employed in this business, how much possible reduction on the present Dingley tariff could be made, unless you wished to cut the throat of this industry, unless you wished to drive it out of existence? I think it must be perfectly evident to every member of this committee and to every man who considers for one instant the question of protecting and encouraging business in this country that we absolutely can not stand any reduction of the present tariff. We have already suffered from the generous way in which we have treated Cuba. We have submitted to a 25 per cent reduction for our friends, the Philippines. We are asked to do more. I am not willing to take second place to anyone in the recognition of the obligation we owe to all these provinces upon which we have enforced our guardianship, but I do not believe that that all ought to be paid by any one industry. I believe we can be generous after being just, and I believe that the possible development of the beet sugar industry in this country to a point where we can furnish, together with the cane growers of the South, all the sugar consumed here is worth the serious attention and the honest consideration of Congress at every stage of this investigation.

I did not come intending to give any statistics. I think the danger generally is in these investigations that the committee is buried under statistics and unable to get out; but I have stated what I believe to be the real question involved, that if we wish this industry to continue it must certainly not receive any unfavorable consideration in determining the tariff schedule.

Mr. UNDERWOOD. What is the difference in the price of sugar in the zone in which you operate—the price at which you sell sugar and the price of Hamburg sugar with the tariff and the freight transportation added?

Mr. SMITH. We are obliged to sell sugar, Mr. Underwood, on the basis of the New York quotations made by the cane refiners, less what has come to be recognized as the differential between cane and beet sugar—that is 10 cents a hundred. That is the recognized differential; it is frequently less.

Mr. UNDERWOOD. But you can add the freight rate from New York to your zone?

Mr. SMITH. True; but we ship quite a large portion of our product to a point where we have to pay as much freight as or more than we

Digitized by Google

add from New York. But the difference is at present on Hamburg sugar about 55 cents, I think.

Mr. UNDERWOOD. Can you give me the figures—can you estimate it there? I am asking for information. What is the price of Hamburg sugar in the zone in which you operate, that is the present Hamburg price, ocean freight, domestic freight, and insurance added, which of course would be the selling price here, with the broker's commission added?

Mr. SMITH. Our friends, the refiners, have been engaged in a little war for which the beet sugar people are paying the expenses, largely, during the last few days, and I do not know what their price on sugar is just now.

Mr. UNDERWOOD. That is the reason I asked you, because I presume that the competition you are meeting is from the cane sugar interests.

Mr. SMITH. Entirely.

Mr. UNDERWOOD. Who are refining raw Cuban sugar; and I wanted to get before the committee, if I could, what the competition would be from Hamburg sugar with the freight rate, insurance, and broker's charges added, if the competition did come that way, which I recognize it does.

Mr. SMITH. If the competition did not come from Cuba?

Mr. UNDERWOOD. Yes; if you had competition from Hamburg, say to-day, or whatever day at which time you know the price, can you give the committee the Hamburg price of sugar, add the ocean freight rate and the insurance, and the domestic freight rate to the zone in which you largely operate, and give us that?

Mr. SMITH. Yes; I could do that if I knew what the Hamburg price is to-day. Perhaps some of these sugar gentlemen can give it to me. What is it, Mr. Willett?

Mr. WILLETT. $4.40 a hundred, delivered in New York.

Mr. SMITH. $4.40. That includes the ocean freight then, of course.

Mr. UNDERWOOD. Is that being sold in New York now, the Hamburg sugar?

Mr. SMITH. I think there has been no sugar shipped from Hamburg for several months.

Mr. WILLETT. No imports, but the quotations are made every day, and the quotation to-day is $4.40 in New York.

Mr. UNDERWOOD. What is the freight from New York, per hundred pounds, to the zone in which you operate?

Mr. SMITH. We cover all the territory from Chicago to Pittsburg and Buffalo. That varies from 16 to 23 cents a hundred.

Mr. UNDERWOOD. The freight from New York?

Mr. SMITH. Yes, sir.

Mr. UNDERWOOD. Then that would make it somewhere between $4.56 and $4.60?

Mr. SMITH. Yes, sir.

Mr. UNDERWOOD. That is Hamburg sugar. Now, what are you selling your sugar at in that territory?

Mr. SMITH. We are not selling it. We are waiting until these refiners get through their fight.

Mr. UNDERWOOD. Before the fight came on, what were you selling it at?

Mr. SMITH. We were selling it on a basis of $4.70, New York, which would be $4.86, say, delivered, Detroit.

Digitized by Google

Mr. UNDERWOOD. $4.70 in New York?

Mr. SMITH. That is, cane sugar. That would be $4.80, cane sugar, $4.70 beet sugar.

Mr. UNDERWOOD. But that is the New York price?

Mr. SMITH. That is all based on the New York price with the freight added. So when I say $4.70, New York, I mean at a Michigan point bearing a 16 cent rate, we would add that to the $4.70 rate in New York, and the price in Detroit, which has a 16½ cent freight rate, on the $4.70 New York basis, would be $4.86½.

Mr. UNDERWOOD. You would be selling the sugar at $4.86½ in Detroit?

Mr. SMITH. Yes, sir.

Mr. UNDERWOOD. And in Detroit what would be the price of Hamburg sugar at $4.40, New York?

Mr. SMITH. At $4.40, with the freight rate added, it would be $4.56½.

Mr. UNDERWOOD. It would be $4.56, New York; the Hamburg sugar would?

Mr. SMITH. On to-day's price, yes, sir. But if we were obliged to sell to-day we would have to meet that price.

Mr. UNDERWOOD. I understand. There is a difference of 32 cents to the advantage of Hamburg sugar. You stated that there is no importation of German sugar into this country, I believe.

Mr. SMITH. When I gave you an illustration of the market price in Detroit I was referring to the market as it was thirty days ago, before this lunacy broke out in New York. To-day we would be obliged to sell at—what is the New York market to-day?

Mr. WILLETT. $4.55 net, to-day.

Mr. SMITH. We would be obliged to sell for $4.61½ then, in Detroit, as compared with this $4.56½, which has been given as the basis of Hamburg sugar. It would be only 5 cents difference.

Mr. UNDERWOOD. The advantage you have by reason of your location would then amount to 4½ cents a hundred?

Mr. WILLETT. May I explain that the German granulated sugar which is quoted from day to day is what is called first class, which is not suitable for consumption in the United States. The value is about 25 cents a hundred less than the value of cane sugar, and 15 cents a hundred less than that of beet sugar.

The CHAIRMAN. I will ask you a question or two. I understood you to say that in the last three years you had gotten about $4.35 for your product?

Mr. SMITH. Yes; somewhere between $4.35 and $4.40.

The CHAIRMAN. That was 40 per cent, or thereabouts, below the price of the cane sugar sold in the same territory?

Mr. SMITH. No; the average has not been more than 15 cents less than the cane sugar.

The CHAIRMAN. Fifteen cents less?

Mr. SMITH. Fifteen cents a hundred. The recognized differential is 10 cents.

The CHAIRMAN. During the period spoken of by Mr. Hathaway when the Hamburg price averaged 2 cents a pound?

Mr. SMITH. Yes, sir.

The CHAIRMAN. That is all I want to ask. I can not make those figures agree some way.

Digitized by Google

Mr. CLARK. It has been stated on the authority of the chemist of the Agricultural Department that nobody can tell this beet sugar from the cane sugar. If that is so, why do you have to sell it at a lower price?

Mr. SMITH. The difficulty, Mr. Clark, in introducing any new product in competition with a standard, recognized product has always been met in the first instance by a lower price. I believe that beet sugar is absolutely chemically identical with cane sugar.

Mr. CLARK. I know; and that is exactly what puzzles me about it.

Mr. SMITH. At the same time, when they first commenced to market beet sugar in this country there was a prejudice against it, which was fostered by the dealers in cane sugar. The dealers in beet sugar were advised that beet sugar was inferior in quality and was not as salable, and a prejudice was created against it which was even fostered at that time by the cane sugar refiners refusing to furnish the grocers with their sugar if they handled beet sugar. For some time that sort of a war was made against the beet sugar industry, and in order to induce dealers to handle beet sugar it was necessary to sell it at a lower price; and having started in to do that, is is next to impossible to ever recover and get back on the same basis.

Mr. CLARK. Do you suppose that one housewife out of a thousand in the United States ever inquires of the groceryman when she wants refined sugar whether it is beet sugar or cane sugar?

Mr. SMITH. I should say not.

Mr. CLARK. If that is the case, the fellow that buys the beet sugar and sells it, the groceryman, is doing a better business and a wiser business for himself than the fellow who buys and sells the cane sugar?

Mr. SMITH. Sure; he makes more money on it. He sells it at the same price as cane sugar.

Mr. CLARK. And they have been able to get up this prejudice against beet sugar and keep it up all these years, and still keep it up?

Mr. SMITH. We have been unable to get the price back. I do not know why it is. If you can suggest any way, and put it into this bill, we will be glad to take it in lieu of an increase in the tariff. The dealers refuse to handle it unless they get this concession, I think with absolutely no sound reason for it. It is a trade condition which we have been unable to overcome.

Mr. DALZELL. You justify the suspicion by keeping your price down.

Mr. SMITH. We would do away with that suspicion if we were willing to hold our sugar and not sell it.

Mr. CALDERHEAD. But you can not hold it. You must sell it within five or six months.

Mr. SMITH. I say you can not safely store any sugar for an unlimited time, whether cane or beet sugar. It will absorb moisture and become soft, or in some cases it will harden.

Mr. CALDERHEAD. Is it not also because it is only in one form, the granulated form?

Mr. SMITH. That is true; it is all in one form.

Mr. CLARK. If beet sugar and cane sugar are identical, do not the weather conditions affect cane sugar also, when stored in a given place, as they would beet sugar?

Digitized by Google

Mr. SMITH. Certainly. I have seen any quantity of cane sugar that had become absolutely hard and had to be ground over again and pulverized in order to make it salable.

Mr. CLARK. Your zone lies between the top of the Rocky Mountains and, say, Toledo?

Mr. SMITH. We have not any market at the top of the Rocky Mountains, or nothing west of the Mississippi River that amounts to anything.

Mr. CLARK. You are talking about beet sugar—the whole beet-sugar question?

Mr. SMITH. Yes.

Mr. CLARK. Your market ranges from the top of the Rocky Mountains to Toledo?

Mr. SMITH. It comes to Pittsburg.

Mr. CLARK. Well, say Pittsburg.

The CHAIRMAN. The whole business is governed from New York

Mr. CLARK. What whole business?

The CHAIRMAN. The whole business of beet sugar.

Mr. CLARK. Now, if these men undertake to ship cane sugar into your district, they have to pay the freight rates from New York to Pittsburg more than you pay, do they not?

Mr. SMITH. No; they pay half a cent less than we pay.

Mr. CLARK. You do not mean to say that they can ship sugar from New York to Denver or Omaha or St. Paul cheaper than you can ship it from Michigan, do you?

Mr. SMITH. You have moved your question from Pittsburg to Denver now.

Mr. CLARK. No; I am talking about that territory, from Pittsburg to Denver. Who has the cheaper freight rates in that territory, the beet sugar men or the cane sugar men?

Mr. SMITH. The beet sugar men, I should say; that is, after you get west of Detroit.

Mr. CLARK. You have the advantage of the freight rate?

Mr. SMITH. After you get west of Detroit.

Mr. CLARK. You have as good sugar as they have got?

Mr. SMITH. Yes.

Mr. CLARK. Why do you not drive these grocerymen into paying you as much for beet sugar as they pay for the cane sugar?

Mr. SMITH. It has been found not only expensive but dangerous to try to coerce anybody into doing anything in the last few years.

Mr. CLARK. I know, but you said a few minutes ago that these cane sugar fellows coerced you a few years ago.

Mr. SMITH. They tried to.

Mr. CLARK. They did cut you down 15 cents.

Mr. SMITH. That was before the public conscience was aroused.

Mr. CLARK. It is not so very much aroused yet, I am afraid.

Mr. FORDNEY. When there is a war on with regard to prices, you with your $2,000,000 of investment would not have very much show of driving the American Sugar Refining Company out of business with its $100,000,000 of capital, would you?

Mr. SMITH. No; we would hate to try it unless we were sure of succeeding.

Mr. FORDNEY. In other words, you can not afford to get into a war with the American Sugar Refining Company at any time?

Digitized by Google

Mr. SMITH. No, sir; we have a limited season and a comparatively small output, and most of the time the market is necessarily controlled or dominated by the refiners, who take care of 80 per cent of the entire consumption of this country. It would be an impossible competition.

Mr. UNDERWOOD. What per cent did you state was controlled?

Mr. SMITH. I said about 80 per cent.

Mr. FORDNEY. Based on the Dingley rate of duty, there is about a millon tons of sugar that comes into our market from Porto Rico, Hawaii, and Cuba?

Mr. SMITH. Yes.

Mr. FORDNEY. Twenty per cent of the sugar of Cuba comes in free, and the rest pays the regular Dingley duty. If the duty is changed on imported sugar any at all, if it is changed downward, how would you feel about your investment?

Mr. SMITH. I would like to dispose of it before I was subject to an assessment.

Mr. FORDNEY. At less than 100 cents on the dollar of what it cost, would you not?

Mr. SMITH. Certainly. I should consider that the investment would be worth practically nothing if this tariff was materially reduced. It is the best that any average sugar company can possibly do now to pay from 5 to 6 per cent interest on the investment. If you reduce the protection and consequently reduce the margin of profit down below 40 cents a hundred pounds, it would mean the operation of the factories at an absolute loss, and I should want to get out of the business at once and lose it all in a lump and try to get into something else rather than lose it in annual installments.

Mr. FORDNEY. Do you think that American capital could be induced to build more beet sugar factories in the country if the duty on imported sugar was increased?

Mr. SMITH. Yes, sir.

Mr. FORDNEY. And you were assured that it would remain there?

Mr. SMITH. Yes, sir; if we could feel any substantial confidence in the good faith of any such pledges.

Mr. FORDNEY. That is all.

Mr. CRUMPACKER. Is it possible or practicable to powder beet sugar?

Mr. SMITH. Yes, sir.

Mr. CRUMPACKER. To put it in a powdered form?

Mr. SMITH. It can be; yes, sir.

Mr. CRUMPACKER. Or in the form of cubes, so as to meet the requirements of the market?

Mr. SMITH. Yes, sir.

Mr. CRUMPACKER. Why do not the beet sugar manufacturers put it in these different forms so as to meet the requirements of the trade and be free from these disadvantages they are under now?

Mr. SMITH. For the reason that that class of sugar is never marketed in carload lots. It is shipped in mixed carloads. It requires a very much larger and more diverse clientage to take any considerable output of that class of sugar than the beet sugar people have. They market their sugar almost entirely in carload lots and in the larger centers of trade. In other words, it would involve a very expensive selling organization to take care of that variety of output.

Digitized by Google

Mr. LONGWORTH. Is there no beet sugar put out in the form of cubes?

Mr. SMITH. I do not know of any factory that is making cube sugar.

Mr. CALDERHEAD. You would have to change your machinery?

Mr. SMITH. Yes, sir. That would not be a difficult proposition. It would be somewhat expensive, but it could be done. But the difficulty is principally in marketing.

Mr. CRUMPACKER. You would not have a demand for the beet sugar, cube sugar, in carload lots?

Mr. SMITH. No, sir.

Mr. CLARK. If a wholesaler in Chicago had 100 tons of beet sugar and 100 tons of cane sugar shipped to him. there is nothing about the boxes or barrels to show which is which, is there?

Mr. SMITH. Yes, sir; generally—that is, almost all of the beet sugar manufacturers have their packages marked.

Mr. CLARK. It was testified here the other day in regard to cigar wrappers grown in Florida in competition with Sumatra wrappers that they would ship them up to Chicago or somewhere else and then ship them back to these fellows who make the cigars, so that they would be getting Florida wrappers when they thought they were getting Sumatra wrappers. Do you suppose the sugar men are working the same thing?

Mr. SMITH. I think it is quite likely. I have smoked some of those cigars. [Laughter.]

Mr. CLARK. One other question. It has been testified here by a witness or two that there has been a great improvement and increase of the saccharine matter in these beets. Do you have any reasonable hope of getting it up as high there as it is in Germany?

Mr. SMITH. I do not see why we can not, and I believe we can do it. But it has taken one hundred years to develop the sugar beet to its present state of perfection in Germany and France, and while we are supposed to be more rapid than they are, I do not think we can expect any such result for twenty or twenty-five years yet.

Mr. CLARK. I supposed you began where they left off. After that question, here is another. Do you sugar men up there believe the time will ever come, and if so how long will it be before it does come, when this beet sugar industry will be able to get along without any protection?

Mr. SMITH. I believe so, Mr. Clark. I do not think that we ought, or that any industry ought, to expect to be perpetually protected. But even if that should be necessary, it seems to me that it would be much better policy for this country to continue to protect an industry that will supply it with all it needs.

Mr. CLARK. I did not ask you that. I asked you a plain and simple question.

Mr. SMITH. Well, I think so. I do not know as you and I will live to see it, but I think that some time the industry will be able, by improved methods, to do it. But it can not be done until there is some improvement or until we are willing to reduce the wages that we pay. The bulk of the entire cost of beet sugar is paid out in labor.

Mr. CLARK. You do produce beet sugar cheaper now than you did ten years ago; that is, so far as the total cost of the product is concerned?

Digitized by Google

Mr. SMITH. I suppose so. I have not been in the business so long as that. This business started about ten years ago.

Mr. CLARK. Yes; I know.

Mr. SMITH. I might say that this company which I represent is also engaged in farming. We have a farm of about 10,000 acres, upon which we are raising quite a large quantity of sugar beets, as well as doing other branches of farming, so that we are somewhat familiar with both ends of the proceeding. I wish to say, also, that we have an association of sugar factories in Michigan, of which I have the honor to be president, and I am requested to represent them here and present their position in this matter at this time. That is, they have agreed that it is absolutely essential to the success of their business that the tariff should not be reduced, and they have given me the statistics of the cost of manufacture of their sugar, and I will say that the average cost for the past five years, presented by the following sugar companies, the German-American Sugar Company, at Bay City; the St. Louis Sugar Company, of St. Louis, Mich.; the Mount Clemens Sugar Company, at Mount Clemens; and the Holland Sugar Company, at Holland, has been in excess of $4 a hundred pounds.

Mr. UNDERWOOD. To what extent did they exceed it?

Mr. SMITH. The average of one company is $4.13 and the average of another is $4.16 for the past five years.

Mr. DALZELL. That does not include interest on capital?

Mr. SMITH. That includes no return on the investment whatever.

Mr. UNDERWOOD. But it does include everything else?

Mr. SMITH. It includes everything else.

The CHAIRMAN. How much are they getting out of the alcohol?

Mr. SMITH. They are selling molasses.

The CHAIRMAN. The same as they were the last time we had tariff hearings?

Mr. SMITH. Yes, sir.

The CHAIRMAN. There is no change in that?

Mr. SMITH. There is no change in the method.

The CHAIRMAN. That is what I mean, or in the amount you get out of it there is no change?

Mr. SMITH. They are getting more for their molasses now than they did, because a great part of it is now sold for cattle feed, for feeding purposes, and the high price of other feed has brought the price of molasses up.

Mr. UNDERWOOD. In estimating the cost of the sugar, do you give credit for the by-product or is the by-product not considered in that?

Mr. SMITH. All receipts for the by-product are taken out of the cost. This is the net cost of the sugar after all returns from the by-product have been credited to the operation of the factory.

The CHAIRMAN. Have you a statement from which you make up the cost in detail?

Mr. SMITH. Yes, sir.

The CHAIRMAN. Have you submitted that?

Mr. SMITH. I have not, but if desired, I will do that.

The CHAIRMAN. Yes, I would like to see that.

Mr. SMITH. That is, dividing the original cost of beets and the cost of operation, everything?

The CHAIRMAN. Yes.

Digitized by Google

Mr. SMITH. I will file such a statement.

The CHAIRMAN. Showing wages and so on.

Mr. SMITH. Yes.

Mr. FORDNEY. How much of the total cost of production of beet sugar does labor get in this country? For instance, if it costs 4 cents a pound to make sugar from beets, how much does labor get out of that?

Mr. SMITH. I could not answer that offhand. I will say that for the cost of the beet itself——

Mr. FORDNEY. That is, labor, I mean labor alone; what is paid the farmer?

Mr. SMITH. I will give you that. The farmer will get, say, an average of $50 an acre out of his beets. All of the cost of the production, practically, is labor, and that is estimated, and I think it is moderately estimated, by Mr. Hathaway, at $33 an acre.

Mr. FORDNEY. In the 4 cents cost is figured what goes to the farmer and the laborer; everything that goes into converting the beets into sugar is labor except what raw material there is in the way of coal and cotton bags, and barrels, and such like?

Mr. SMITH. Yes. I have a statement here by one of the factories which on the cost of $4.18 a hundred gives the cost of beets at $3.41 a hundred, of which at least three-quarters would be labor, and the cost of labor in the factory is 47 cents a hundred; supplies 63 cents a hundred, which would give about three-quarters of the cost in labor. I suppose that has been estimated more accurately——

Mr. FORDNEY. Then, if that is true, Mr. Smith, on the 1,700,000 tons of sugar imported last year, or about that, labor only gets (on the imported sugar) about one-half cent a pound, does it not? I mean one-half a cent a pound for refining, the difference between the amount that American labor gets from imported raw sugar and sugar produced in this country is one-half cent per pound, compared with about 4 or 3¾ cents?

Mr. SMITH. I should say so.

Mr. FORDNEY. Then, on the 1,360,000 last year imported, labor received about $17,000,000, whereas, if it had been produced in this country it would have received $136,000,000, or in that neighborhood?

Mr. SMITH. The principle is right; I have not the time to verify your figures.

Mr. FORDNEY. That is the difference between 4 cents and one-half cent that would go to American labor?

Mr. SMITH. Yes.

Mr. FORDNEY. Then, American labor would be very much interested in producing all the sugar at home that we consume, if those figures are right, would it not?

Mr. SMITH. I should think so.

Mr. UNDERWOOD. The sugar labor might be very much interested, but the labor that eats the sugar might be interested the other way.

Mr. FORDNEY. Well, the labor that eats the sugar would not be hurt by the labor that produces the sugar getting that benefit.

Digitized by Google

STATEMENT OF GEN. LUKE WRIGHT, SECRETARY OF WAR, RELATIVE TO THE PHILIPPINE SUGAR INDUSTRY.

MONDAY, *November 16, 1908.*

I only just heard that the committee was hearing arguments with reference to these tariff schedules on sugar and tobacco, as applied to the Philippine Islands. I heard it only about 10 o'clock this morning. I want to say to the committee that we are hardly prepared at this time to go into that question. We are now having investigations made in the Philippines by experts, among them Mr. Hord, the internal-revenue collector for the islands. He is taking up this question with a great deal of care with a view of laying before the committee the cost of production in the Philippine Islands, their capacity for increased production, and various other matters which will enter into any intelligent consideration of this question as appplied to the Philippine Islands.

It seems to me that the whole objection, if it has any force at all, lies in the danger apprehended by the producers of the United States, that their market might be destroyed by the inundation from the Philippine Islands, and if that apprehension could be relieved, if that is really their fear, it seems to me that their opposition would cease.

The custom-house report from the Philippine Islands shows that the total exports of sugar for the year 1907 were 118,000 tons, and it is difficult to see, if all of that came to the United States, just how that could in any way affect the market here, when it is considered that between 1,700 and 1,800 thousand tons are annually imported.

Of course, if there were an indefinite increase, I can readily understand how, in the course of human events, it might affect the market here; but until the Philippine Islands took up the whole import of foreign sugars the market here, it seems to me, evidently could not be affected. The importance of that, I think, can be made perfectly obvious to every member of the committee.

The last gentleman was good enough to say—I suppose they all feel the same way—that he had the kindest, most affectionate feeling for the Philippine people, but he did not think it ought to be carried to the extent of destroying his market. It is astonishing, really, gentlemen, how many charitable people there are in the world when it does not cost them anything.

But aside from that we can demonstrate, I think, to the satisfaction of the committee that there is not the slightest possibility of any large increase of production in the Philippine Islands in the near future, in many years. Economic conditions, labor conditions, and all that are such that it is utterly out of the question that there can be any large increase in the near future.

Our purpose had been at the proper time to make suggestions of some fair compromise about this matter, limiting the amount of sugar which might be imported without duty, as an evidence of our good faith and of our actual belief that the market here is not in the least danger, and some gradual increase per annum, with a maximum limit, I think, we could agree upon.

It is not possible that the Philippine Islands could supply the actual increase in demand for sugar year by year, as it is going on in the United States, and if I am correct in that, it would seem

Digitized by Google

utterly absurd to talk about Philippine sugar endangering the American market until the beet sugar people and the cane sugar people, in spite of this tariff wall which has been erected, raise about 1,800,000 tons more than they are doing now. When that time comes it will then be time enough to talk about putting up the bars against the Philippine Islands.

I was informed a moment ago that the total production of beet sugar in the United States amounted to 440,000 tons last year. Before the beet sugar industry is in the slightest danger that industry must increase from 440,000 to about 2,100,000 tons, and I think, if you will take the statistics which show the annual increase in beet-sugar production, it will be obvious that that can not happen for the next fifty years.

I believe, gentlemen, that is all I have to say, except I should be very glad if you could postpone these hearings——

The CHAIRMAN. We can not postpone the hearings. We have adopted a rule that briefs can be filed, in order to be printed by the 5th of December, and briefs that come in later than that will have to take their chances.

Secretary WRIGHT. Will the committee hear us, say, some time in January?

The CHAIRMAN. I do not think the committee is in a position to concede any hearings in January at this time. If anybody makes application in the future for hearings, the committee will consider the application. But our object is to get through with these hearings and go to work and consider this bill and make as good a bill as we can from the facts laid before us by various people along the lines of an honest tariff bill. That is the object of the committee.

Secretary WRIGHT. We will be allowed, then, at an earlier date——

The CHAIRMAN. We will, of course, be glad to get all the information that will come to us while we are considering the bill. If you have opportunity to file briefs or be heard, of course the other side of the question must have equal opportunity to meet whatever facts you may present at that time. My own idea is that the only menace to the sugar industry from any of these concessions ultimately is a reduction on Cuban sugar. If the 20 per cent reduces that below the point of protection, that is in so far a menace, because that is a large production, and if the point should be reached where the domestic production, in addition to the Philippine Islands, if any of the crop should be placed on the free list (and the Hawaiian Islands, and of course the Porto Rican Islands include part of the production), and added to it the importation of the Cuban sugar at a discount of 20 per cent on the tariff reaches the total consumption, of course then the protection is taken away to the extent of one-fifth, and how far that will remain a protection to the sugar industry remains to be seen, but the great menace is the large quantity of sugar that comes from Cuba, if the concession brings that below the protective point.

Secretary WRIGHT. We can cross that bridge when we come to it. All I am interested in at this time is to show that the American market——

The CHAIRMAN. I want to show further, in regard to that compromise two or three years ago, when this matter was being considered the suggestion of compromise came from those who opposed the low-

Digitized by Google

ering of the duty to Philippine sugar and Philippine tobacco, limiting the amount. My idea then was that was an illogical proposition. I have not changed my mind in regard to that since.

Secretary WRIGHT. Neither have I——

The CHAIRMAN. Later it came from the War Department, a year or two ago, and I understood that it was acceded to at that time by the representatives of the sugar interests. Now, of course, the amount of sugar imported free of duty in one year could be limited in numbers of tons, and all that came in after that limit had been reached to pay the full duty under the tariff law, or 75 per cent of that duty, as it might be fixed in the law; and the same way in regard to tobacco and cigars, that could be practically operated.

Secretary WRIGHT. Of course, what I said with reference to sugar has equal application to tobacco.

The CHAIRMAN. Yes; it is practical to operate it, of course.

Secretary WRIGHT. I was led to believe from what General Edwards had told me that the strong probability was that we should be able, so far as we could do that, to make some agreement that would relieve the committee of considering this particular phase of the tariff law.

Mr. MCCALL. If General Wright should be prepared before the hearings are closed, would not the committee see him personally instead of having him file a brief?

The CHAIRMAN. Oh, certainly.

Mr. MCCALL. That would give him an opportunity for us to ask him questions.

The CHAIRMAN. Certainly. This is an important question, a question that might not be considered as coming strictly within a tariff-revision bill, although it could be placed there. In other words, it is a side issue in some senses, and the committee would certainly make every effort to hear both sides of that controversy at any time if opportunity presented itself.

Secretary WRIGHT. Well, you want the Philippine schedules to be dealt with along with the general subjects of sugar and tobacco, would you not?

The CHAIRMAN. That will be for the committee to take up. Individually, I should favor doing it I do not know how the rest of the committee feels; I have not talked to them about it.

Secretary WRIGHT. Well, sir, we will address ourselves at once to this matter. We were taken very much by surprise to-day, and perhaps we will ask to be allowed to impose on your good nature a little later.

Mr. FORDNEY. May I ask the gentleman one question?

The CHAIRMAN. Yes.

Mr. FORDNEY. You state on account of the large amount of sugar imported that the beet sugar industry should not be alarmed until its production greatly increases?

Secretary WRIGHT. Yes, sir.

Mr. FORDNEY. When Cuban reciprocity was adopted the same argument was urged, that the importation of sugar from Cuba at that time was 615,000 tons, and would not materially increase, but it has run up to a million and a quarter tons since that time. Beet sugar men are fearful that by bringing in more raw sugar free of

Digitized by Google

duty into this country that that will be the last straw that will break the camel's back.

Secretary WRIGHT. Perhaps it is an irrelevant question; but has the price of sugar declined of late in this country? I don't think it has. Are there any symptoms of it declining?

Mr. FORDNEY. It has retarded the growth of the beet sugar industry.

Secretary WRIGHT. Has it?

Mr. FORDNEY. Yes; very materially.

Secretary WRIGHT. Is it not probable that there are some other causes that have brought about that?

Mr. FORDNEY. Perhaps.

Secretary WRIGHT. I heard Mr. Hathaway state, in answer to Judge Underwood, I believe, that the American Sugar Company had no interest in any of these beet sugar factories. I confess I was a little astonished at that, in view of the statement I heard made, I think, by him—and if I am in error the gentleman will correct me—and by one or two other gentlemen, whose faces are familiar and some of whom I have seen here, to the effect that there was a trustee who owned 51 per cent of the capital stock of all these beet sugar factories, supposedly a trustee representing the American Sugar Company.

Mr. UNDERWOOD. In each one of these beet sugar factories?

Secretary WRIGHT. Yes; that was the statement made three years ago. If I am not grossly mistaken—and I do not think I am—that was the statement made. That may, perhaps, account for some other definciencies that have cropped up here; I do not know. I would like to run into that a little, if we must do it.

Mr. FORDNEY. I do not know anything about the ownership of any of them. I never had any interest in one and do not have now.

Secretarv WRIGHT. Of course I have no doubt of that, sir; although there is no reason why you should not have.

Mr. FORDNEY. But, so far as I am concerned, it would not make any difference who owns them, so long as they are owned by Americans and make sugar from an American-grown product.

Mr. GAINES. Do you think if the time was given you to go into this matter that you would show that it is true that a trustee representing the American Sugar Refining Company owns 51 per cent of the beet sugar business?

Secretary WRIGHT. I could only refer you to the hearings as they were published. The chairman will correct me if I am wrong about that. I do not know that it is very important, still I think when you come to weigh arguments, it is well to know just where the argument comes from and what the motive behind it, whether it is really the honest apprehension of a large body of men who till the soil or whether it is simply the selfish interests of a particular corporation that is monopolizing the refined sugar production and sale in this country.

Mr. FORDNEY. My interest in the matter is representing the people of the Eighth Congressional District of the State of Michigan, and there are 20,000 farmers in that district raising beets. That is my interest.

Secretary WRIGHT. I understand, sir; but I can say that it seems to me that would be rather a pertinent inquiry, as to what is at the

Digitized by Google

bottom of a matter that relates to the Philippine sugar. It seems to me that might be important.

Mr. GAINES. I agree with you. I think that would be of the highest consideration, and if what you believe to be true is really true, I should like to know it.

Secretary WRIGHT. Unless I am totally wrong—and I do not think my memory is altogether failing—it was about three years ago when we had this same subject up before this same committee that the statement I refer to was made, and the chairman will doubtless remember what was stated at that time.

Mr. SMITH. May I say, in reference to this same point, that so far as the company I represent is concerned, the American Sugar Refining Company does not own and never did own a dollar of interest in any way, shape, or manner in the Owosso Sugar Company.

Secretary WRIGHT. I do not think I had the pleasure of hearing Mr. Smith before——

Mr. GAINES. May I ask Mr. Smith a question?

Secretary WRIGHT. But at that time, it was not only conceded, I think by Mr. Hathaway, but by a number of other gentlemen representing beet sugar industries, that that was the fact. Of course that may have all changed, there has been a searching of hearts——

Mr. SMITH. He never made a statement as to my company.

Secretary WRIGHT. No; I do not remember of having the pleasure of seeing Mr. Smith before——

Mr. GAINES. What is understood on that subject by the trade, generally, Mr. Smith, as to the ownership by the trust in the beet sugar concerns; is it understood that the trust owns a considerable interest in the beet sugar concerns?

Mr. SMITH. These gentlemen are here. It seems to me it would be better for them to answer. I might tell you what I have heard and believe, but not having any knowledge or reliable information, I think it would be at least indelicate for me to say.

Mr. GAINES. I understand that a good many of these things are morally known in the trade without you knowing in such a way that you could testify to them, and that the persons who do know them in such a way that they could testify to them would not like to do it, and we might not ask them to.

Mr. SMITH. I do not hesitate to say that the Michigan Sugar Company is generally referred to as the trust organization.

Mr. GAINES. And what is the Michigan Sugar Company?

Mr. SMITH. It is the company owning six of the sixteen sugar factories in Michigan and operating them.

Mr. GAINES. Holding and operating six of the sixteen?

Mr. SMITH. Yes.

Mr. GAINES. Is it supposed to have any interest in the other ten sugar factories in Michigan?

Mr. SMITH. Not to my knowledge. If it has any, it is not supposed to be a controlling interest, or an interest more than—in fact, I do not know what they may have in the others. I am simply giving you the general opinion, as I understand it. I do not know anything about it myself.

Mr. BONYNGE. You say they are regarded as a trust in Michigan. Do you mean the American Sugar Refining Company?

Digitized by Google

Mr. SMITH. It is supposed that interests connected with the American Sugar Refining Company have large interests in these six factories.

Secretary WRIGHT. It might be well worth considering in connection with this general subject, if the American Sugar Refining Company owned all the sugar factories, just how fast the increase in production would continue. They are in a position, if they control it, to increase or decrease the production pretty extensively. However, I do not know anything about that except what I have stated before.

Mr. CRUMPACKER. If we abolish the tariff on sugar imported from the Philippine Islands, is there anything down there that would prevent the American Refining Company getting control of the product even there?

Secretary WRIGHT. Nothing in the world. Really, just as a well-wisher of the Philippine people, I have been almost in hopes they would.

The CHAIRMAN. I do not suppose any change in this tariff would prevent the American Sugar Refining Company from buying stock in any corporation it wanted to?

Secretary WRIGHT. No.

Mr. SMITH. I do not know that I was understood to say that I believed the American Sugar Refining Company had a controlling interest; I do not know whether I was so understood or not. I don't know about that. I simply say they are supposed to have a large interest in the Michigan Sugar Company.

The CHAIRMAN. Well, something has been said in regard to that in the former hearings.

Secretary WRIGHT. I am simply giving my memory of what was admitted on all sides at the former hearing.

Mr. BONYNGE. That is far short of being 51 per cent, even if they had 51 per cent of all the sugar factories in Michigan.

Secretary WRIGHT. That was not the statement made before. It appeared before, if I am not grossly in error, that all those—of course the hearings will show for themselves, but that is my recollection of it.

Mr. BONYNGE. I think your recollection is wrong about that.

Mr. GAINES. I think Mr. Hathaway desires to make a statement.

The CHAIRMAN. Have you any different statement to make now?

Mr. HATHAWAY. What statement did I make?

The CHAIRMAN. I do not remember. It is recorded.

Mr. HATHAWAY. I never made any remark in my evidence before of the kind General Wright has referred to.

The CHAIRMAN. Well, some person did; several persons did.

Mr. HATHAWAY. General Wright has quoted me.

Secretary WRIGHT. I said that was my recollection.

Mr. HATHAWAY. Well, you were in error there.

The CHAIRMAN. Well, make it as brief as possible.

Digitized by Google

SUPPLEMENTAL STATEMENT OF F. R. HATHAWAY, REPRESENTING THE MICHIGAN SUGAR CO., OF DETROIT, MICH.

MONDAY, *November 16, 1908.*

Mr. HATHAWAY. What I want to say is this: That every director of the Michigan Sugar Company is a Michigan man. I want to say next that every certificate of stock issued by the Michigan Sugar Company, as far as the records are concerned, with the exception of about $100,000 of stock, is held by a Michigan man or Michigan men.

The CHAIRMAN. What about the $100,000?

Mr. HATHAWAY. That is scattered around in different places.

The CHAIRMAN. Let us have the whole truth.

Mr. HATHAWAY. That is scattered around in different places outside the State.

Mr. BONYNGE. What is your capitalization?

Mr. HATHAWAY. Twelve million five hundred thousand dollars.

The CHAIRMAN. Is there one director that represents that $100,000?

Mr. HATHAWAY. No.

The CHAIRMAN. Is there any director outside the Michigan people in the concern?

Mr. HATHAWAY. No, sir.

Mr. GAINES. Are any of those Michigan people, directors, directly or indirectly connected with the sugar trust?

Mr. HATHAWAY. Not to my knowledge in any way.

Mr. GAINES. Does not a Michigan man hold it as trustee?

Mr. HATHAWAY. He does not.

The CHAIRMAN. I think you will find out about that in the former hearing.

Mr. GAINES. I know that there is a good deal about it in the former hearing, but I thought perhaps I could find out something about it now.

The CHAIRMAN. The witnesses that appeared then seemed to know more about it.

STATEMENT OF F. T. SHOLES, REPRESENTING THE CONTINENTAL SUGAR COMPANY, CLEVELAND, OHIO.

MONDAY, *November 16, 1908.*

The CHAIRMAN. Please give your full name and residence.

Mr. SHOLES. F. T. Sholes, Cleveland, Ohio. I am secretary and treasurer of the Continental Sugar Company of Ohio.

I am here to speak for the interests of the Continental Sugar Company of Ohio.

The statistics which we have listened to this morning are more than I can attempt to cover. Mr. Smith has covered the argument of certain trade points, and I would like to give you the results of our company as briefly as possible.

In 1899 the subject of the production of beet sugar was presented to us for investment purposes. We investigated the reports as furnished by the Agricultural Department, several pamphlets and direct cor-

Digitized by Google

respondence with Washington on it; we believed it to be a favorable investment, and the company was organized and capital subscribed in Cleveland at that time; entirely in Cleveland.

We began operations and the education of the farmer for the cultivation of beets in that territory.

We are now operating in 22 counties and engage the product of about 3,000 farmers in that immediate vicinity.

We have secured from them for the year 1908—that is the year we are now working on—approximately 12,000 acres of beets, and have expected to harvest, and are now harvesting, approximately 100,000 tons.

The figures of last year—that is, the campaign closed in 1907—are so nearly representative of a fair average—and we have had worse and better ones—that I will give you those figures as to just exactly what has been paid to the farmer, what we have secured from him in tonnage, and what we have made on the last year's campaign, being, as I say, a fair average, there having been worse ones and better ones in our history.

We harvested and paid for 87,633.2 tons of beets. We paid the farmers $470,458.44.

The beets cost us in the factory, after paying the farmers and the freight and delivering into the plant, $6.35 per ton, a total of $556,292.57.

We produced 18,639,123 pounds of sugar.

We paid in wages to the employees and operatives of the plant $184,695.73. I may say here that there are no salaries included in that above $5,000, which is paid to one man, one salary of $3,600, and one salary of $3,000, and one salary of $2,000, the rest being all below that.

We paid $15,700 in insurance and taxes; $78,285.47, for coal, coke, lime rock, barrels, bags, and other materials going into the manufacture and producing of the sugar. We paid $52,684.40 in freight.

We handled 4,200 cars of sugar beets, coal, coke, lime rock, and the sundry supplies, and the sugar cost us $4.09 per hundred pounds.

Our proceeds from sales were $4.38 per hundred pounds, leaving us a profit of 29 cents per hundred pounds.

Mr. UNDERWOOD. $4.09 or $4.90?

Mr. SHOLES. $4.38 net proceeds—

Mr. UNDERWOOD. But the cost.

Mr. SHOLES. $4.09, a net profit of 29 cents per hundred pounds.

We have an investment of $1,463,000, and we are firmly of the belief, and our figures certainly give that evidence, that any reduction of the present tariff would mean the abolition of our business. This is only one company in Ohio.

Mr. UNDERWOOD. What dividends have you paid since you have been in operation?

Mr. SHOLES. We have paid two dividends in the eight years we have been in the business.

Mr. UNDERWOOD. How much have you put out of your earnings into betterments and improvements?

Mr. SHOLES. I have no figures to give that, but there has been no depreciation included in this cost of $4.09. The depreciations that have been made upon the plant and investment have been charged

Digitized by Google

against the profit and loss account, which accrues from the difference between the $4.09 and the $4.28, and its accumulation.

Mr. UNDERWOOD. What do you figure your profits to have been during that time?

Mr. SHOLES. I would rather not answer that question in point of figures. I can say that we have had better years and worse years, and our net earnings last year were a little over $40,000, charging off the depreciations.

Mr. FORDNEY. How much investment?

Mr. SHOLES. $1,463,000.

Mr. UNDERWOOD. Out of your gross earnings, did you expend anything for improvements or betterments last year?

Mr. SHOLES. Not any serious amount. There are always more or less changes or additions made in the plant, and the improvements and betterments are added. If I remember correctly, the figure was about $12,000 last year, but that is the difference between the gross cost of the improvements or betterments and the salvage of the displacement or whatever is taken out of it.

Mr. UNDERWOOD. Then you made last year really about $52,000 instead of $40,000 net profit, if you do not include the betterments and improvements?

Mr. SHOLES. Yes; only our books do not show it that way. That is a fair consideration of it.

Mr. UNDERWOOD. Was the stock paid for in cash, or have you issued stock dividends to account for the profits that you have invested in betterments and improvements?

Mr. SHOLES With the exception of a very small quantity—I think it was $45,000, if I remember correctly, made to equalize the authorized capital stock of $1,200,000—all of the capital was paid in in cash. That $45,000 was issued in fractional shares, to equalize holdings and finish our capital stock, having at that time a greater surplus than covered the $45,000, if those are the correct figures.

Mr. UNDERWOOD. What do you figure the advantage of the zone in which you sell your product is over the Atlantic seaboard, in the matter of freight rates?

Mr. SHOLES. That is a question that I can hardly answer. I am not prepared to answer that. We are manufacturing in Ohio and seeking a market for our product. We are obliged to meet the current conditions, the competition of business, and we do not have to meet that question you ask at the seaboard, and when we have an offer for sugar in Pittsburg, Buffalo, Cincinnati, or Cleveland, we simply know that the price quoted by our competitors is so and so, and we can either meet it or cut it.

Mr. UNDERWOOD. But you do have an advantage in freight rates within that zone, do you not?

Mr. SHOLES. Certainly. Freight rates from New York to the zone point and our local freight rate.

Mr. UNDERWOOD. I would be glad, if you have the opportunity, if you would file with your statement here figures showing what it does amount to, if you could get those figures.

Mr. SHOLES. Not being acquainted with the matter, I should be obliged to refer to the figures presented at this hearing. It is something I have never handled at all.

Digitized by Google

The CHAIRMAN. Are there any further questions? Have you anything further to say, Mr. Sholes?

Mr. SHOLES. Nothing more, Mr. Chairman.

STATEMENT OF W. H. BAIRD, GENERAL SUPERINTENDENT OF THE AMERICAN BEET SUGAR COMPANY.

MONDAY, *November 16, 1908.*

The CHAIRMAN. Give your full name, and where you reside.

Mr. BAIRD. W. H. Baird; residence, Denver, Colo. I am the general superintendent of the American Beet Sugar Company.

I spent between five and six months last year in visiting the sugar factories of Europe for technical studies, almost entirely, studying the methods used there, and I traveled through Holland, Belgium, Germany, France, Spain, Italy, and Austria in doing this, and as an incident to the study of the manufacture of sugar, to find why they made sugar cheaper than we did. From a purely technical standpoint the prices of their labor came in, which prices I am ready to submit to the committee.

I have made out a list here of the prices which we pay in our factories, the American Beet Sugar Company. These prices are taken from the scales as submitted to me by the local superintendents of the factories. Our factories are located in three different States, Colorado, California, and Nebraska.

Mr. BONYNGE. How many are located in Colorado?

Mr. BAIRD. Three in Colorado, located at Las Animas, Rocky Ford, and Lamar.

Starting with the men of higher rank, we pay for general foremen from $150 to $160 per month. The only place where we find a comparison with these men is Germany, where they pay from 75 cents to $1.25 per day, or $22 to $37.50 a month, which in some cases is augmented slightly by the giving of a little house to live in, close to the place. I may say that in some of our factories we do practically the same, furnishing a clubhouse or residence for the man on the ground. So it almost balances.

Among the laborers, coming down the list, we have, beginning with the work as the beets are fed into the factory, those that work in the beet sheds. Our feeders we pay 20½ cents an hour—that is, for beet-shed men; while in Germany they pay 5 cents an hour, and in Austria 7 cents an hour. For the feeders of beets, those that work in the wet places, we pay 17½ cents an hour; Germany pays 6½ cents an hour, and Austria 7 cents an hour.

At the beet washers we pay 17½ cents an hour to 22 cents an hour, depending upon the work the man does. In Germany they pay 5 cents an hour, and in Austria they pay 5½ cents an hour.

At the cutters we pay 20 to 25 cents an hour, and the only place where I have any equivalent is France, where they pay from 8 to 10 cents an hour.

Digitized by Google

Sharpening knives, a slightly skilled labor, we pay 22½ to 27½ cents per hour. In France they pay 5.7 cents to 10 cents an hour, depending upon the factory.

At the diffusion battery, which is more or less skilled work, we pay the head men 25 cents an hour. Germany pays such a man from 6 to 10 cents an hour and Austria pays from 4 to 5 cents an hour. France pays from 9 cents to 10 cents an hour for that work.

The helpers on this battery, ordinary labor, we pay 20 cents an hour. Germany pays 4 cents an hour; Austria pays 4 to 6 cents an hour. France pays 6 cents to 7½ cents an hour.

Under the battery, where it is wet, we pay 20 cents, Germany pays from 5 to 6 cents, and Austria pays from 4 to 6 cents, and France pays 8 cents.

At the carbonation the chief man gets 25 cents an hour. In Germany he gets 5 cents an hour. In Austria he gets 5 cents an hour. In France he gets 8 cents an hour.

The filter presses, we pay the foremen 25 cents an hour, and the only price I have here in my official list comparing to that is 8 cents in France, although I know from conversation and ordinary observation that they pay about 1 cent more an hour for a foreman than the laborer gets.

Filter pressmen, who work at the hard labor of the filter press—and you may call it the commonest of the labor in the factory—we pay 17½ cents an hour; Germany pays 4 cents an hour, Austria pays 5 cents an hour, and France pays 7 cents an hour.

At the evaporators we pay 25 cents an hour; Germany pays 4.4 cents an hour, Austria 5.8 cents an hour, and France 8 cents an hour.

The more highly skilled laborer of the vacuum pans, boiling the sugar to grain, we pay from $100 to $125 a month, and in general by the year. In Germany they pay from $18 to $22 a month, and in general not by the year. In Austria in general they pay $18 a month, or $294 by the year, if they keep them during the whole year. In France they pay $40 a month for three months and give a compensation of $10 extra for traveling expenses.

At the centrifugals, which is more or less skilled labor, we pay from 20 to 22½ cents an hour. In all the factories in Europe that I visited the work in the centrifugal machines is paid so much per sack of sugar produced, and their arrangement is such that it is almost impossible to translate it, to compare it with our wages, as they produce nothing but raw sugar and it comes out in a different way from ours, and so I have not attempted it.

Cleaning the boilers, firing and stoking. We pay 30 cents an hour for our head boilerman. In Austria they pay 7 cents. In France they pay 7 cents, plus $15 bonus.

For firemen we pay 25 cents an hour, and for their firemen they pay from 6½ to 7 cents an hour.

Boiler cleaners, we pay 20 cents an hour, and the only place I have any record of corresponding to that abroad is in France they pay 6 cents an hour.

Blacksmiths, which will be a good example of the skilled mechanical laborer, we pay 40 cents an hour; Germany pays from 7½ to 10 cents an hour; Austria pay 7 cents an hour; and France pays 8 cents an hour.

Digitized by Google

I found in going over this work that practically everything that enters into the cost of the manufacture has a relative value, following more or less the wage scale. As, for instance, one of the largest expenses that we have in the sugar business is our lime, larger in America than it is in Europe, from the fact that our beets are of lower purity, and we use a larger quantity of lime.

The value of the lime in the factory is almost entirely a labor cost, as it is a matter of getting it out of the ground and of burning it. So our lime will cost about $10 a ton in the factories I am thinking of, and theirs is very much less—I would not care to say in exact figures, but nearer $5—from $4.50 to $5 a ton.

The same thing holds true of filter-press cloths, which are a large item with us. They have reduced the cost of the highly skilled labor, which gets a comparatively high price in this country and a low price in Europe.

The coal in Germany, one of the countries that is competing, is very low for the same reason. It is a very cheap coal, and the principal cost connected with it is the labor cost; so that their coal in Germany is actually lower in price than ours.

These cover practically all the prices of labor that I have ready to submit.

Mr. UNDERWOOD. What is the efficiency of the labor in this country as compared with the countries in Europe that you speak of?

Mr. BAIRD. In a sugar factory it is practically the same, from the fact that a sugar factory is made up of stations requiring about the same number of men to watch each station, whether they are efficient or inefficient men, and there are very few places, unless it would be feeding the beets into the factory, or running the centrifugal machines, or stoking in the boiler house, where individual efficiency would cut very much figure.

So I found, in general, the number of men employed was practically the same as ours, or slightly less, unless you take the countries in the extreme south of Europe—Spain and Italy—where, of course, labor is quite inefficient. But that has really nothing to do with this case, because they do not compete to any extent. But if you take Austria and France and Germany, labor is practically the same as ours in efficiency.

Mr. UNDERWOOD. From your studies do you think the labor cost per ton of sugar would bear out the comparison of the figures there, where you compare them man to man? Do you think that there is the same cost in the matter of labor per ton?

Mr. BAIRD. The labor cost in any of these countries would be quite a good deal more than any of the figures I give you, from the fact that they get so much more sugar per man.

Mr. UNDERWOOD. By reason of its higher saccharine qualities?

Mr. BAIRD. By reason of the additional saccharine matter and the additional purity of the beets; yes. If you go into it, you will find that their labor is lower than this list would indicate.

Mr. UNDERWOOD. You have made no calculation as to the amount of cost, so far as labor is concerned, per ton of sugar?

Mr. BAIRD. Not per ton of sugar; no. I would say that over there 100 pounds of sugar would cost about 7 to 8 cents for labor. That is an exceedingly rough estimate.

Digitized by Google

Mr. UNDERWOOD. Our 100 pounds of the beet sugar in your factories would cost about how much?

Mr. BAIRD. Well, near 48 cents.

Mr. UNDERWOOD. There is a difference, then, of between 48 cents and 7 cents in the labor cost of the production of 100 pounds of sugar?

Mr. BAIRD. Yes; but when I say that I say that with what I said before, that there are other things entering which make our labor cost high in this country.

Mr. UNDERWOOD. The competition from abroad in sugar comes largely from Germany, does it not?

Mr. BAIRD. Yes, sir.

Mr. UNDERWOOD. The competition of the other European countries does not cut any figure, does it?

Mr. BAIRD. Austria would. If Germany could, Austria would.

Mr. UNDERWOOD. Those two countries?

Mr. BAIRD. Those two countries; yes.

Mr. UNDERWOOD. How are the factories in Germany situated, so far as the seaboard is concerned?

Mr. BAIRD. Almost every factory in Europe is situated on the seaboard; that is, it is on canal board. Everything is shipped by water to seaboard. The factories working in the center of Bohemia, for instance, have a very short haul to the Moldau, and from there have a water haul out to the mouth of the Elbe, and by lighterage on board ship. That takes them right down through the heart of the beet-growing countries of Europe.

Mr. UNDERWOOD. Did you make any figures on the cost of freight from the interior points to the seaboard, and from the seaboard to New York, for instance?

Mr. BAIRD. I did not, because I was studying this purely from a technical standpoint and it did not occur to me that anything else would come up when I was studying it. It was purely to satisfy my own curiosity as to cost, and so forth——

Mr. POU. Did you figure out the cost of sugar in the plants you visited?

Mr. BAIRD. It would be very difficult to figure that out unless one had private figures. There are a great many elements that enter into it, so that it would be very difficult. For instance, in the German factories, those that were willing to tell me said that the price they got for their sugar they hoped would pay the expenses of running their factory. They make their money off of molasses and pulp, both of which command very high prices. Most of them told me that they run their factories for their agricultural benefit—that is, that they would run them anyway if they paid expenses, on account of the agricultural benefits to be given to the lands, the rotation of crops.

Mr. POU. You did not make any figures yourself on that?

Mr. BAIRD. No; I couldn't make any but very rough ones, but the best ones I could make are well below 2 cents a pound. Further than that any figures would be doubtful.

The CHAIRMAN. What do they do with their pulp?

Mr. BAIRD. Most of it is dried.

The CHAIRMAN. And then what do they do with it?

Mr. BAIRD. It is fed to cattle.

Digitized by Google

The CHAIRMAN. Are our people making any advance in using pulp now?

Mr. BAIRD. They have made a very great advance. But you must remember that there is a great difference between Germany and America; you must remember that Germany has no feed that corresponds to our corn at all, no feed that corresponds to our feeds that we give to cattle. So they must use barley or oats or rye or potatoes, or things of that kind, and the sugar of the molasses is used where the starch of our corn would be used. They have gone so far with it that a Mr. Steffins, who is quite an inventor in the sugar business, has invented a method by which they do not extract near so much sugar, leaving in the pulp 3 or 4 per cent, and that is run out and dried and makes a fodder which is called the Steffins fodder, and they say that this fodder is very profitable.

The CHAIRMAN. Could not our people use that pulp in the same way, substituting it for corn and using the corn for other purposes?

Mr. BAIRD. It is simply a question of the difference in price. Of course, their corn over there costs all it costs here plus the freight and their tariff, which is high, and they only buy corn to finish fattening their pigs——

The CHAIRMAN. I am speaking about our own people. It seems to me it is a great waste for us to waste the pulp.

Mr. BAIRD. Well, we feed it now.

The CHAIRMAN. All of it?

Mr. BAIRD. Practically all of it.

The CHAIRMAN. You do not dry it?

Mr. BAIRD. No; it does not pay to dry it. Dried pulp would come in competition with alfalfa hay, and wet pulp is an entirely different thing.

The CHAIRMAN. But is not the cost of transportation of the wet pulp so great that it does not pay to transport it?

Mr. BAIRD. We do not transport it. It is generally fed right at the factory; the cattle are brought to the factory instead of it being sent out by freight to be fed to the cattle.

The CHAIRMAN. So you think they are using most of it in that way?

Mr. BAIRD. They are in our factories; yes, for the last few years, for a long time——

The CHAIRMAN. It must have been the last year or two if they are using most of it?

Mr. BAIRD. Yes.

The CHAIRMAN. You were speaking of getting the figures as to the cost of labor abroad. How did you get those prices?

Mr. BAIRD. These were gotten from people I met while over there, that were willing to give the figures to me. I do not suppose they would have given them to me if they knew I would have given them to the Ways and Means Committee.

The CHAIRMAN. Persons employed in the factories?

Mr. BAIRD. Yes, sir. In most part every figure I have here was gotten in writing.

The CHAIRMAN. Your prices seem better fitted to India or Japan.

Mr. BAIRD. I was quite surprised myself at the figures, but you must remember that 5 cents an hour means 60 cents a day, which is over 2 marks, and 2 marks a day is a pretty good wage in Germany.

Digitized by Google

That is higher than they pay in cotton mills and other industries over there. For that reason I said that their wages would show more than this would show, because everything that enters into this takes a lower wage.

The CHAIRMAN. Did you get any statistics as to wages paid in cotton mills and other industries?

Mr. BAIRD. Only incidentally. I mean in a casual way. In general, they told me that the wages paid in sugar factories were from 10 to 20 per cent higher than in any other industry, from the fact the season was short and they had to attract men to it.

The CHAIRMAN. Could you give the committee any figures as to the wages paid in the cotton industry over there?

Mr. BAIRD. No, sir; I can not.

The CHAIRMAN. Only that general statement?

Mr. BAIRD. Only that general statement.

The CHAIRMAN. What other besides the cotton industry did that apply to?

Mr. BAIRD. In the weaving industries, such as the jute mills, where they make sugar bags and other things. It also applies quite universally, but common labor used by the year, labor that is kept on the farm all the year round.

The CHAIRMAN. I do not know whether you gave the wages of those who raised beets or not.

Mr. BAIRD. I don't know about those. I only got the wages from farmers in one place and that was—well, that was a good enough figure, but it was only from one place, as I was not at all interested in this at that time.

The CHAIRMAN. Have you those figures?

Mr. BAIRD. Yes.

The CHAIRMAN. I wish you would give them.

Mr. BAIRD. Eleven dollars an acre for work done on the beets from the time they come out of the ground until they are on the wagon to go to the factory.

The CHAIRMAN. Does that include planting?

Mr. BAIRD. Yes; it included planting.

The CHAIRMAN. You said from the time they came out of the ground.

Mr. BAIRD. That included planting, but not the ownership of the animals; it included the work of drilling, thinning, and many hoeings; about five hoeings, I would say roughly.

The CHAIRMAN. Right there, could you give the cost for that labor in Michigan, for instance?

Mr. BAIRD. I am not in the agricultural department of my work and I would not know. I don't know about Michigan, anyway.

Mr. BONYNGE. Do you not know what they pay in Colorado for that work?

Mr. BAIRD. I do not. I know less accurately about that than I do about this one that I have quoted, and I prefer to leave that to the people who do know.

The CHAIRMAN. You do not look after that department?

Mr. BAIRD. No; that is not my work.

Mr. FORDNEY. It is my opinion that in Michigan the same labor receives about $20 per acre.

The CHAIRMAN. We will find some one that knows.

Digitized by Google

Mr. CRUMPACKER. What do the farmers get for beets per ton at the factory?

Mr. BAIRD. The farmers in most of the countries visited and in competing countries do not receive a price as our farmers do at all. In Germany the sugar factories are run on large estates, and the sugar factory occupies the same relative position to the estate that a thrashing machine would occupy here among the big farmers.

Mr. CRUMPACKER. Do the proprietors or owners of the sugar factories do their own cultivating or hire the beets grown for them?

Mr. BAIRD. They generally have large estates of from 400 to 1,200 or 1,500 acres.

Mr. CRUMPACKER. So that the small farmer, the peasant farmer there, does not produce sugar beets "on his own hook," as a rule, to sell to the factories?

Mr. BAIRD. As a rule, he does; but as a rule he is very "seldom." You do not find very many of him.

Mr. CRUMPACKER. Do you know what he gets by the ton when he sells his beets to the factory?

Mr. BAIRD. The only price that I have is one given me by a friend in Magdeburg, who said that "sugar is going down so that the poor devils are only getting about $3 a ton."

Mr. CRUMPACKER. What is the yield per acre? How many tons an acre?

Mr. BAIRD. I can not tell you.

Mr. CRUMPACKER. You did not investigate that matter?

Mr. BAIRD. No; I did not pay any attention to the agricultural side of the question.

Mr. CRUMPACKER. What is the difference in percentage of sugar content between the German beet and the American beet? Do you know that?

Mr. BAIRD. Not near enough to tell you with any degree of accuracy. Our beets vary so much here, and there is more or less difference.

Mr. CRUMPACKER. There is a substantial difference, is there?

Mr. BAIRD. In average I believe there would be a substantial difference, if you will average all the beets in the United States; but as I only happen to know about our own analyses I could not say much about that.

Mr. CRUMPACKER. Are their mills as large as the American mills or factories and are their methods of production substantially the same as ours, or are ours the same as theirs?

Mr. BAIRD. Their mills run about the same as ours—here a small one and there a big one, depending on the estate. But there is one vital difference between their mills and ours, in that they make raw sugar and we make white sugar. We make sugar directly for consumption, while they make only the raw sugar for the refineries.

Mr. CRUMPACKER. Their machinery, their method of production, is the same as ours, is it?

Mr. BAIRD. Except that it is simpler, very much simpler.

Mr. CRUMPACKER. And cheaper?

Mr. BAIRD. And very much cheaper; yes.

Mr. CRUMPACKER. Can ours be simplified and cheapened to advantage?

Mr. BAIRD. If we make raw sugar; yes.

Digitized by Google

Mr. CRUMPACKER. The difference is in the refining process only, is it not?

Mr. BAIRD. No; not entirely. We have the additional expense and will have for some time in the West. I do not know about the East.

Mr. CRUMPACKER. Does it cost any more to refine raw beet sugar than it does to refine raw cane sugar?

Mr. BAIRD. When I speak of refining in a sugar factory, it is not anything at all relative to refining such as a refinery would do in New York or the South.

Mr. CRUMPACKER. Did you learn, while you were in Germany, the domestic price of sugar?

Mr. BAIRD. To the consumer?

Mr. CRUMPACKER. To the consumer, in Germany.

Mr. BAIRD. When I was there it was about 6½ American cents a pound.

Mr. CRUMPACKER. And yet the factories were making it at a cost of about 2 cents?

Mr. BAIRD. Yes.

Mr. CRUMPACKER. I think that is all.

Mr. GAINES. You made a remark to the effect that 5 cents an hour would be 60 cents a day. Do they have a twelve-hour day there?

Mr. BAIRD. Yes; the same as all sugar factories do.

Mr. GAINES. You do in this country also?

Mr. BAIRD. Yes, sir; a twelve-hour day; two shifts, working day and night.

Mr. GAINES. Do you know anything about the price paid in the sugar industry in Cuba?

Mr. BAIRD. I do not. I never was there. I do not know anything about it.

Mr. FORDNEY. I want to ask Mr. Baird if I understood him correctly. You say that they are satisfied over there in the production of sugar if they can have their by-products for profit?

Mr. BAIRD. Many of them are. That is the impression I got simply in casual conversation; yes, sir.

Mr. FORDNEY. Thank you.

STATEMENT OF C. F. SAYLOR, DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C., RELATIVE TO BEET SUGAR.

MONDAY, *November 16, 1908.*

Mr. SAYLOR. Mr. Chairman, I am from the Department of Agriculture. I am here simply because I understood that the chairman or the members of the committee wanted me to come up here. I do not represent the vested interests. I have nothing to do with them.

The CHAIRMAN. If you have any information on this subject the committee will be very glad to get it.

Mr. SAYLOR. I do not know whether I have or not, but if I have I am at your service.

I have not any address to make on this subject, Mr. Chairman. I am simply here because I understood the chairman or other members of the committee wanted me here. The secretary asked me to come here.

Digitized by Google

The CHAIRMAN. I do not know anything about you personally, but I am very glad to see anybody here that understands the facts about this matter.

Mr. SAYLOR. You know, I have charge of the work of developing the beet-sugar industry, and I suppose that is why I became identified with the line of investigations you are making here. I have nothing to do with the vested interests. It is simply the line of investigating the conditions of producing sugar and fostering the industry in places to which it is adapted.

The CHAIRMAN. The Department of Agriculture started in three or four years ago with the idea of developing a single-germ beet seed. What has been the result of that?

Mr. SAYLOR. That, Mr. Chairman, is along the line of scientific investigation. It belongs to our scientific department. But I will say this: You know it takes years to change the character of a plant. It is probably more amenable to development than an animal. They began along that line, as you say, four years ago. As a matter of fact, it was probably six or seven years ago. If you wish to get at the real facts the proper thing would be to call before you the specialists who have devoted their time to the subject. My work is practical, along the line of investigating conditions.

The CHAIRMAN. Do you know what progress they have made?

Mr. SAYLOR. Oh, yes. They are up to 35 or 40 per cent of single-germ seed. You will understand, Mr. Chairman, that that is purely a scientific proposition.

The CHAIRMAN. Is the percentage increasing from year to year?

Mr. SAYLOR. From year to year; it is increasing very rapidly. There is no question but what they will get a single-germ seed; and then, after they get the single-germ seed, they will have to breed it up to a high quality. That means a long time, but it means a great future for that industry.

The CHAIRMAN. Yes; we have had that illustrated by some very skilled experts on the sugar beet question. Will you tell us what particular line you have followed in the Agricultural Department?

Mr. SAYLOR. My line, Mr. Chairman, has been to investigate for eleven years conditions for producing sugar, especially beet sugar, and, where it is adapted to the region, to foster that industry.

Mr. BONYNGE. Mr. Saylor, there has been some question as to the extent to which the beet sugar industry could be developed in the United States. What can you say on that subject?

Mr. SAYLOR. I should say that that would depend largely upon the attitude of this committee and this Congress, and the encouragement the industry gets. It is the thorough belief of the Department of Agriculture (and, as it is the one subject to which I give all my time, it is mine) that the sugar industry is the one industry that is back of a lot of things in this country. It is the mother lode in the development of western conditions. I have been here all day, and we have not heard yet a real explanation of the sugar industry, because it means more than the question of sugar. It means corollary industries. It means the development, the breeding, and the feeding of stock; it means the development of farm conditions to the very highest possible degree. It means trolley lines, and a general development. It is the one industry that will capitalize and call other industries around it. It takes, you understand, years to do

Digitized by Google

that; but it has gone far enough to indicate that the sugar industry is one that will go into those farming countries where we have been growing corn and oats and wheat, and stuff like that, and selling it on the market, and will intensify the agricultural industry and bring around it all of these others.

The CHAIRMAN. How long have you been in the Agricultural Department, Mr. Saylor?

Mr. SAYLOR. I have been there eleven years.

The CHAIRMAN. Previous to that time, did you have any experience in raising sugar beets?

Mr. SAYLOR. Mr. Chairman, I was raised on a farm and educated in an agricultural college. I was a special agricultural chemist; I was a member of the board of trustees of an agricultural college, and chairman of a committee of an agricultural experiment station for thirteen years.

Mr. BONYNGE. Mr. Saylor, you stated that the development of the sugar beet industry depends upon the attitude of Congress toward the sugar industry. What did you mean by that, specifically?

Mr. SAYLOR. That brings me into the line of statesmanship. That is hardly my line; but I will make it plain, since you have asked the question.

The CHAIRMAN. Before you go any further, Mr. Saylor, I want to have you explain to the committee how you understood that the chairman of the committee had sent you an invitation to come here. Who told you that?

Mr. SAYLOR. I think Secretary Wilson told me that.

The CHAIRMAN. Oh! I understand it now.

Mr. BONYNGE. Now, let Mr. Saylor answer the question that I put to him. You stated that the development of the beet sugar industry depends upon the attitude of Congress toward the industry.

Mr. SAYLOR. Yes, sir.

Mr. BONYNGE. And I asked you to state what you meant, specifically, by that remark of yours.

Mr. FORDNEY. Will you let me add one thing to your question?

Mr. BONYNGE. Yes; go ahead.

Mr. FORDNEY. Mr. Saylor, in addition to that, do you think the industry needs protection in order to develop it?

Mr. SAYLOR. That is a matter of opinion on my part.

Mr. BONYNGE. What is your opinion?

Mr. SAYLOR. I think so.

Mr. FORDNEY. I respect your opinion highly.

The CHAIRMAN. I think we all agree on that point, Mr. Saylor.

Mr. SAYLOR. All right.

Mr. BONYNGE. How much territory is there in the United States that is adapted to the growing of sugar beets? Can you state how much territory of that kind there is in the United States?

Mr. SAYLOR. It is adapted to a large part of the farming district of New York, Pennsylvania—I am talking now about the real farming districts—in fact, you can take a line drawn across the country that will take in Chicago, the Northern States, say, Minnesota, Michigan, Wisconsin, the northern half of the State of Iowa, both the Dakotas, Colorado, Utah, Idaho, Montana, and it is adapted to nearly all of the intermountain States where they can get water.

Digitized by Google

Mr. BONYNGE. It takes irrigation, of course.

Mr. SAYLOR. Out in that country; yes. It is a vast country.

The CHAIRMAN. Have you ever investigated the soil of these different States?

Mr. SAYLOR. I am not a scientist in that line, you know. I have investigated it in the way of having it investigated by our scientists. I have been collecting all that sort of information.

The CHAIRMAN. You have studied their investigations, in other words?

Mr. SAYLOR. Yes.

The CHAIRMAN. And determined from them where the soil was adapted to this industry?

Mr. SAYLOR. Yes; but I have charge more largely, Mr. Chairman, of other matters.

The CHAIRMAN. You speak of New York. What part of New York do you say is especially adapted to this industry?

Mr. SAYLOR. Almost any of the well-cultivated portions.

The CHAIRMAN. Do you know what percentage of saccharine matter they find in the sugar beets raised around the Lyons factory?

Mr. SAYLOR. Yes. It will run from 14 to 15 per cent; somewhere around there.

The CHAIRMAN. A good, high percentage?

Mr. SAYLOR. A good, fair percentage.

The CHAIRMAN. You find that soil pretty well adapted to almost anything, do you not?

Mr. SAYLOR. Yes; very well adapted. The point about Lyons is that the industry there has had to contend with so many specialized interests—too much peppermint and cabbage and things like that.

Mr. FORDNEY. They raise everything there but Democrats.

The CHAIRMAN. That soil will raise anything?

Mr. SAYLOR. Anything; but a soil in order to raise sugar——

The CHAIRMAN. I know about that. That is right in my district.

Mr. SAYLOR. I know it, Mr. Chairman. It is all right.

Mr. BONYNGE. What is the percentage of saccharine matter in the beets raised in Colorado?

Mr. SAYLOR. It will average about 15 per cent. That is what it will average.

The CHAIRMAN. That is where they irrigate?

Mr. SAYLOR. That is where they irrigate.

The CHAIRMAN. The trouble with us about Lyons is that we have a little too much water sometimes.

Mr. SAYLOR. What I want to say, Mr. Chairman, if you will just allow me to drop a few remarks, is this——

The CHAIRMAN. We are glad to have you drop in remarks all the time. It will save us asking questions.

Mr. SAYLOR. If I can help the committee, it may be drawn out; but I will drop in what I can. What we look upon in the department as my special work is the fact that the sugar industry offers for the future the one great impetus to develop the agricultural country. It offers a good many things. It induces the investment of capital. It takes a lot of money to build a sugar factory; but you can not grow sugar beets on land alone. It encourages rotation. It will build up a tobacco district, for instance, as it has done in Wisconsin. Up in Wisconsin they antagonized the sugar beet industry because they had

Digitized by Google

had a hard time in getting land enough to grow their tobacco. But after the sugar industry went in, and they developed land to grow sugar beets, their sugar beets left the land in condition to produce tobacco. Now they have increased their tobacco area greatly. The sugar industry is one that appeals to cooperation, and encourages every other industry in the agricultural line, especially the intensive lines, such as producing milk—the dairy, the creamery, feeding, etc. The sugar beet is one of the things and about the only crop that we know of that will go out and clarify land that is charged with alkali. The sugar beets are driving the alkali lands out in California and Nebraska. They are driving them out of existence. They are producing lands; and it is because it is so general, so helpful, that it appeals to the Department of Agriculture. It takes years to develop those conditions, to bring about all the results that must come from this industry; and that is why I take the liberty of suggesting that it ought to be fostered and taken care of until it can bring about these results.

Mr. FORDNEY. Mr. Saylor, the Agricultural Department has sent out a great deal of literature in the last few years encouraging the beet sugar industry, has it not?

Mr. SAYLOR. We have done everything we could. We have implicit faith in that industry, with every other thing that has gone into the country; and so far as we could we have encouraged it. We have given our people encouragement.

Mr. FORDNEY. You have heard here the statement as to the cost of production in the United States, have you, Mr. Saylor?

Mr. SAYLOR. Yes.

Mr. FORDNEY. Does that agree with your ideas and information?

Mr. SAYLOR. In the main it does. Understand, I am not technical on the question of producing sugar; but I have been for eleven years around sugar factories all the time, and in that time a person will get more or less information.

Mr. FORDNEY. You have investigated, Mr. Saylor, the cost of production of sugar in Cuba, have you not?

Mr. SAYLOR. Yes, sir.

Mr. FORDNEY. What is the average cost of producing sugar there?

Mr. SAYLOR. At the time I made up the estimate—and I went through thoroughly in Cuba, and took the items off the books—it cost about $1.50 a hundred pounds.

Mr. FORDNEY. A dollar and a half per hundred pounds of 96 per cent sugar?

Mr. SAYLOR. I think the French experts put it at $1.25. That was some years ago. I think perhaps wages are a little higher now.

The CHAIRMAN. Are there any further questions? Have you any further statement to make, Mr. Saylor?

Mr. SAYLOR. I have none to make. I am simply here because I supposed I was called here.

Mr. CRUMPACKER. Just one question. You are the author of Report No. 86, issued by the Department of Agriculture, on the beet sugar industry?

Mr. SAYLOR. Yes, sir.

Mr. CRUMPACKER. I refer to the one issued in last September.

Mr. SAYLOR. Yes, sir.

Mr. CRUMPACKER. That goes into the subject quite fully?

Digitized by Google

Mr. SAYLOR. Yes.

Mr. CRUMPACKER. From all of its standpoints?

Mr. SAYLOR. Yes. That is, the last year's report.

Mr. UNDERWOOD. What report is it that you refer to?

Mr. CRUMPACKER. Report No. 86.

Mr. SAYLOR. That is the report of last year, on the progress of the beet sugar industry. I have one for every year of my eleven years' investigations.

Mr. CRUMPACKER. These reports have been issued annually for several years?

Mr. SAYLOR. Yes, sir.

STATEMENT OF G. W. McCORMICK, OF MENOMINEE, MICH., MANAGER OF THE MENOMINEE RIVER SUGAR CO.

MONDAY, *November 16, 1908.*

The CHAIRMAN. Give your name to the stenographer and also to the committee.

Mr. McCORMICK. My name is G. W. McCormick. I am manager of the Menominee River Sugar Company, of Menominee, Mich. We have the only beet sugar factory in the Upper Peninsula of Michigan, and we are located so close to Wisconsin that it is rather difficult to know which State we are in. We are on an island in the middle of the river, which is the boundary line. We get about three-fourths of our beets from the State of Wisconsin. We have a factory which has a capacity of 1,000 tons of beets every twenty-four hours. The capital stock of our company is $825,000, which was all subscribed by local people. We have no entanglements. We are quite isolated, situated as we are in the upper peninsula. Our people were induced to invest their money there in a beet sugar factory because they believed that the protection that was given to beet sugar in this country would warrant their entering into the manufacture of beet sugar at a profit. Most of our subscribers are men who had made their money out of the lumber business; but when they began to manufacture sugar from beets they found out that it was not cutting lumber from saw logs, and we found rather a serious problem, first, in getting the farmers acquainted with the growing of sugar beets. That is the most serious problem that we have to contend with. The soil is well adapted for this crop. The climate is equally well adapted, but the farmer had not had the experience in intensive farming that is necessary at first to make a success of this crop. However, after five years' time and a considerable agricultural force, which has cost us about twenty to twenty-four thousand dollars a year, we have been able to get our farmers interested in the better cultivation of the soil and in the successful growing of sugar beets.

I am not here, gentlemen, to give you any statistics. I think you have heard enough; at least, if I were on the committee I would have said that I had heard almost enough. I do not want to take more of your time. I just want to say that our corporation sent me down here to represent them, and represent their voice and sentiment to the extent of saying that they do not want to see any reduction in the tariff on sugar. As to the matter of what it costs to produce beet

Digitized by Google

sugar, you have already heard statements from Mr. Smith and Mr. Hathaway, and their statements correspond with our experience. As to the question of the selling price of sugar, we sell in the same markets that they do; therefore our price is the same. The profits on the business, gentlemen, would not induce any of you men sitting there to come up and pay more than par, I assure you, for the stock. We have had two dividends of 5 per cent in five years in our corporation. And our people feel about this a good deal as a farmer would feel who had developed a fine herd of well-bred stock and had a good pasture for them to live in. He would not want to throw the fences all down, and let in a lot of rawboned, hungry, outside cattle that he had no interest in to eat up that pasture that he had for his own stock. And they feel that if we have got a good market in the United States it belongs to the people of the United States, who have invested their money in institutions here, and not to the outside world, in which we have nothing more than a sentimental interest.

STATEMENT OF EDWIN F. ATKINS, OF BOSTON, MASS., WHO REPRESENTS THE CUBAN SUGAR INTERESTS.

TUESDAY, *November 17, 1908.*

Mr. ATKINS. I had the honor to appear before your committee during the discussion of the Cuban reciprocity treaty in 1902. We appealed then for a differential in favor of Cuban sugar, and while we did not get all that was asked for, we did get a preferential duty, which worked manifestly to the benefit of Cuba during the first year or two. That treaty expires next month. It was made for five years, and the five years expire next month. Thereafter it is subject to cancellation by either contracting party on twelve months' notice. Of course it is a matter of importance, and the Cuban people are naturally anxious about the course to be pursued.

I have here a cable, which I have the honor to present to you, from the president of the Agrarian League of Cuba, the successor of the Planters' Association. The Agrarian League takes in the sugar manufacturers and also the agricultural interests, not only pertaining to sugar, but to other interests, including cattle. It reads:

Please represent Cuban Agrarian League at Washington and request committee to reserve decision until Cuban case can be presented through proper channels.

(Signed) NEGRA,
President Agrarian League.

Following this I received another cable from Cuba, the translation of which I will give you. It comes from the president of the Economic Committee of Business Organizations. That committee, I might explain, is similar to our merchants' associations in the North. It is the committee that represents the different associations on all the economic questions and takes into consideration various interests. The cable reads as follows:

Economic Committee adds its authority to that of the Liga Agraria and begs you to make similar request in respect to tobacco in case this article is brought up.

(Signed) GELATS.

Digitized by Google

That cable was sent through a misapprehension that the tobacco schedule was to be discussed jointly with the sugar schedule, which has not been the case.

I will present this cable to the clerk of the committee and suggest that it be filed with the tobacco papers.

The discussion of the sugar schedules involves very large interests and conflicting interests. It includes the domestic sugar and the colonial interests whose sugar pays no duty and goes into consumption free of tax. It includes the very large Cuban interest, which is a matter of the most vital importance, and the Philippine Islands question, their sugar interests, and the very large refining interests of this country. I suppose the refining interests of this country represent close to $200,000,000, $175,000,000 to $200,000,000, of invested capital. Yesterday the beet interests were mentioned as aggregating some $60,000,000, a large sum and one worthy of every consideration, but the refining interests far outweigh that in point of investment.

I would state, gentlemen, that I am here not to speak with authority from the planters' associations in regard to what course may be pursued, but to make suggestions on my own responsibility, leaving them to make their suggestions at a later time, after they have had their meetings and can present the result through diplomatic channels.

Among my various interests I have that of sugar manufacturing in the island of Cuba. This interest was not recently acquired, not acquired for speculative purposes, but it came to me as the result of business established nearly three-quarters of a century ago, an interest which I took up and have developed in my time. The third generation is now about entering upon it. This was entered into at a time when the merchants of New England had extended their commercial relations throughout the world, at a time when it was not considered unpatriotic to have commercial relations with other nations and at a period when foreign investment acquired through such business relations was not referred to as expatriated capital.

I want to call your attention to the sugar schedules and the rates of duty thereon. A reference to the Statistical Abstract of 1907 shows among its valuable information the ad valorem rates assessed upon the various schedules. I have taken a list of the principal schedules in our tariff, and I will refer briefly to them and file the figures for your reference and verification.

The tobacco schedule, yielding a revenue of $26,125,000, comes at the head of the list, paying an ad valorem rate of 87.19 per cent. Next comes spirits, wines, and liquors, yielding a revenue of $15,797,000, paying an ad valorem rate of 73.14 per cent. Next comes the very small item of beverages, including mineral water, ginger ale, etc., yielding a revenue of only $64,000, about 1 per cent of the revenue derived from sugar. That paid 66.16 per cent. Then comes sugar and molasses, the schedule known as the "sugar schedule," yielding last year (which was abnormal and which I will explain later on) a revenue of $60,335,000, which pays an ad valorem of 65.03 per cent. Eliminating the molasses, the ad valorem rate was 65½ per cent. Below follow, in the order of their importance, lead, earthenware, wool and its manufactures (so often referred to as being an extremely high schedule), which paid 58.19 per cent, as against 65½ per cent on sugar. Then I have taken the other important schedules, and we come down to leather and its manufactures, 30.93 per cent; iron and

Digitized by Google

steel and manufactures, 28.83 per cent; and chemicals, about 25 per cent.

What I wish to call your attention to is this: The statistical report gives the average ad valorem rate of duty on all imported articles for the year 1907 as 42½ per cent. Deducting sugar and molasses, the average rate was 39½ per cent on all articles imported into the United States as against 65½ per cent on sugar.

The CHAIRMAN. Please state that again.

Mr. ATKINS. The whole statement of the schedule?

The CHAIRMAN. I wish you would repeat your last statement.

Mr. ATKINS. My last statement was this, that the statistics show that the ad valorem rate of duty on all imported merchandise was 42½ per cent. That is given in the Statistical Abstract. Deducting sugar from the imports, the ad valorem rate on all articles, exclusive of sugar and molasses, was 39½ per cent. Sugar, exclusive of molasses, 65½ per cent. I have compared this with the other schedules in the order of their importance.

Champagne, not a schedule but an article in the liquor schedule, paid 54.25 per cent, against 65½ per cent on sugar. In other words, sugar is classed among the luxuries, while it is an article of prime necessity, as our friend, Mr. Oxnard, told us yesterday.

The table referred to by Mr. Atkins follows:

SCHEDULE A.—*Showing revenue and ad valorem rates of duties upon principal tariff schedules; Statistical Abstract and Report of Bureau of Commerce and Labor, 1907.*

	Revenue.	Rate.
		Per cent.
Tobacco and manufactures	$26,125,000	87.19
Spirits, wines, and liquors	15,797,000	73.14
Beverages	64,000	66.16
Sugar and molasses	60,335,000	65.03
Lead and manufactures	982,000	59.71
Earthenware	8,024,000	58.56
Wool and manufactures	36,555,000	58.19
Cotton and manufactures	38,999,000	53.38
Glass and glassware	3,921,000	53.22
Brass and manufactures	43,000	45.32
Carriages	2,116,000	44.90
Salt	207,000	43.75
Breadstuffs	1,457,000	34.54
Vegetable fibers and manufactures	22,538,000	33.66
Leather and manufactures	6,134,000	30.93
Iron and steel and manufactures	12,323,000	28.83
Chemicals	7,523,000	24.88

Going back for a few years, a period of ten years, we find the ad valorem rate on sugar in 1898 as 77.11 per cent, then 76 per cent—I omit the fraction—71 per cent, 72.43 per cent, about 87 per cent, 96.48 per cent, 74.65 per cent, 56.17 per cent (that is 1905). In 1906 it was 61.12 per cent, and in 1907 65.03 per cent—that is, sugar and molasses together, sugar being 65½ per cent.

The reduced duties under Cuban reciprocity covering the years 1904 to 1907 showed a reduction. Under the existing conditions 3¾ cents duty paid may be considered a full normal average price for twelve months, which would indicate an ad valorem rate of about 65 per cent. That is for sugar, under the continuance of the present schedule, although the short Cuban crop of 1908 and higher f. o. b. values will temporarily reduce the rate on an ad valorem basis.

Digitized by Google

I will file this statement for verification.

The statement referred to by Mr. Atkins follows:

SCHEDULE B.—*Average values centrifugal sugar, 95 test, with average ad valorem rates of duty, as returned in Statistical Abstract, 1907, for sugar and molasses.*

Year.	New York value duty paid.	Ad valorem rate duty on f.o.b. value.	Year.	New York value duty paid.	Ad valorem rate duty on f.o.b. value.
1898	$4.23	$77.11	1904	$3.97	$74.65
1899	4.42	75.94	1905	4.27	56.17
1900	4.56	71.46	1906	3.68	61.12
1901	4.05	72.43	1907	3.75	65.08
1902	3.54	86.79			
1903	3.72	96.48	Average	4.02	73.72

NOTE.—Reduced duties under Cuban reciprocity cover years 1904 to 1907. Nineteen hundred and five was a year of short crops in Europe.

Under existing conditions 3¾ cents duty paid may be considered a full normal average price for twelve months, which would indicate an ad valorem rate of about 65 per cent, although the short Cuban crop of 1908 and higher f. o. b. values will temporarily reduce the rate on an ad valorem basis.

Mr. ATKINS. Since the arguments before your committee in 1902, the statistical position of sugar has completely changed. The year 1898, which was the year of the Spanish war, showed a consumption of a little over 2,000,000 gross tons. The free sugar supply—and I refer to the free sugar supply as domestic, including the sugar produced in the United States and under the American flag in her colonies paying no duty—the domestic supply was then 556,000 tons, the Cuban crop 230,000 tons, the requirements from all other countries being 1,217,000 tons. Ten years later, in 1907, the consumption had risen to approximately 3,000,000 tons, the free sugar supply to 1,278,000 tons, the Cuban crop to 1,428,000 tons, and the requirements of all other countries had fallen to less than 300,000 tons. I am giving the statistics of 1907, as the statistics of 1908 are not completed or available.

This shows that during the ten-year period which I have quoted the consumption of the United States increased 991,000 tons, the average annual increase being slightly under 5 per cent. During the same period the supply of free sugar increased 722,000 tons, the Cuban crop 1,198,000 tons, while our requirements from all other countries have decreased 929,000 tons, and the revenue under the Dingley tariff—if we except the year 1907, when there were large imports just previous to the end of the fiscal year, has not increased since 1897, but it has rather diminished in the face of the steady increase of consumption.

Now, this condition has naturally wrought a great change in the price of Cuban sugar. When this treaty was made it was our hope and it was the expectation of the government officials of the United States that this differential accorded to Cuba—20 per cent, amounting to 34 cents a hundred pounds—would accrue largely, I will not say entirely, but largely to the benefit of the Cuban producers, they in turn having given a differential running from 20 to 40 per cent on United States goods entering their ports as against other foreign goods.

Digitized by Google

The rapid increase in the domestic production and in the Cuban crop jointly have now supplied the requirements of the United States to within 300,000 tons, and naturally the differential has been lost to Cuba. She now gets but very little of that differential; how little I have tried to explain by this schedule, which I will not read, but will place on file.

I have prepared in this schedule [exhibiting schedule] the weekly market quotations taken from the reports of Messrs. Willett & Gray, giving in the first column the quotations of Hamburg beets. I have not gone into the daily quotations, that not being necessary. The second column shows the parity of beet sugars as compared with centrifugal sugars, when those beet sugars are landed in New York. The third column gives the selling price of Cuban centrifugal sugar as compared with the parity of beet sugars in New York at the same date. The next column shows the cents per 100 pounds which centrifugal sugars received below the parity of beet sugars landed in New York. In connection with this I have placed here a column showing the weekly receipt of sugars in the Atlantic ports, meltings, and the receipts in Cuban ports as the crops came forward and accumulated there ready for shipment.

Now the differential accorded to Cuba amounts to 34 cents a hundred pounds. On January 3 the market in New York ruled 28 cents below the parity of Europe. The next week 28 cents. The next week 34 cents, absorbing all the differential. The next week 36 cents; then 32 cents, then 42 cents, then 43 cents, then 49 cents, then 46 cents, then 38 cents, then 41 cents, then 41 cents, then 35 cents, then 32 cents. Then, as the Cuban sugar receipts began to decrease, the market rose nearer to the parity of Europe. The following year, 1908, the year commenced on January 2 with a quotation of 24 cents a hundred pounds below the parity of Europe against the 34 cents differential, and the quotations followed—12 cents, 15 cents, 26 cents, 34 cents, 36 cents, 40 cents, 39 cents, 23½ cents, 27 cents, and 17 cents by the middle of March. At that time a great shortage in the Cuban crop began to become apparent and buyers were attracted to the market and bought sugars in advance for future shipment, putting the price up. The parity gradually rose, and by the end of May, when the Cuban receipts in the various ports had been reduced from 58,000 tons to two or three thousand, the difference in the parity was only ⅛ cent, and it ruled in that way during the rest of the year, at times, in a few instances, rising to a full parity.

The point I wish to illustrate here is that during the period of heavy Cuban receipts, whether those receipts were forwarded to New York, Boston, or Philadelphia, or whether they accumulated in the stores in the ports of Cuba, the pressure to sell, owing to the excessive receipts over requirements, brings the sugar market down in New York so that the Cuban planters lose the differential that is accorded to them. It is no fault of the Government; nobody can be blamed for it. The buyers buy as cheaply as they can, as we all do, and where a refiner wants two or three cargoes of sugar and eight or ten cargoes are offered he is going to take the best price.

Mr. McCall. In other words, the sellers compete with each other?

Mr. Atkins. Yes, sir. The same thing was illustrated yesterday in the condition of Louisiana and in the condition of beet sugar. It is the excess of supply over the demand that puts the market down,

Digitized by Google

and when the demand is in excess of the supply then the market advances. It is the simplest law of commercial trade and the one most apt to be overlooked.

It is a popular impression on the part of a great many who are not conversant with the real situation that the refiners get this differential accorded to Cuba which the Cuban producer ought to get. That is a fallacy.

The statement referred to by Mr. Atkins follows:

SCHEDULE C, 1907.

Date.	Hamburg beets (sterling).	Ditto parity centrifugal New York.	Cuban centrifugal, duty paid.	Below parity of Europe against 34 cents differential.	Ditto c. and f.	Receipts all sugars Atlantic ports.	Meltings	Receipts in Cuba, 6 ports.
						Tons.	*Tons.*	*Tons.*
Jan. 3	8.9¾	3.84	3.56	0.28	2.21	23,438	20,000	27,000
Jan. 10	8.9¾	3.84	3.56	.28	2.21	28,119	27,000	31,000
Jan. 17	8.9¾	3.84	3.50	.34	2.15	31,855	27,000	45,000
Jan. 24	8.9¾	3.84	3.48	.36	2.13	30,829	28,000	56,000
Jan. 31	8.7½	3.80	3.48	.32	2.13	23,992	28,000	61,000
Feb. 7	8.9¾	3.84	3.42	.42	2.07	36,524	28,000	61,000
Feb. 14	8.10½	3.85	3.42	.43	2.07	40,727	35,000	65,000
Feb. 21	8.11¼	3.87	3.38	.49	2.03	60,594	35,000	65,000
Feb. 28	9.0	3.88	3.42	.46	2.07	63,640	35,000	65,000
Mar. 7	9.0¾	3.89	3.51	.38	2.16	54,464	35,000	62,000
Mar. 14	9.1½	3.91	3.50	.41	2.15	47,422	35,000	60,000
Mar. 21	9.2¼	3.92	3.51	.41	2.16	63,896	40,000	60,000
Mar. 28	9.3	3.93	3.58	.35	2.23	33,125	40,000	61,000
Apr. 4	9.3	3.93	3.61	.32	2.26	38,765	34,000	60,000
Apr. 11	9.3	3.93	3.735	.195	2.385	36,188	37,000	39,000
Apr. 18	9.5¼	3.98	3.765	.215	2.415	57,620	39,000	37,000
Apr. 25	9.5¼	3.98	3.73	.25	2.38	76,891	39,000	37,000
May 2	9.6	3.99	3.765	.225	2.415	40,898	39,000	34,000
May 9	10.0¾	4.12	3.83	.29	2.48	64,787	41,000	29,000
May 16	9.10½	4.07	3.86	.21	2.51	46,691	34,000	22,000
May 23	9.11¼	4.09	3.92	.17	2.57	65,985	42,000	16,000
May 29	10.0	4.11	3.90	.21	2.55	33,369	41,000	10,000
June 6	9.11¼	4.09	3.84	.25	2.49	64,437	41,000	7,000
June 13	9.9	4.04	3.73	.31	2.38	70,439	43,000	4,000
June 20	9.8¼	4.03	3.71	.32	2.36	42,550	41,000	2,000
June 27	9.9	4.04	3.875	.165	2.525	61,632	45,000	2,000
July 3	9.6¾	4.00	3.835	.165	2.485	22,135	46,000	1,000
July 11	9.5¼	3.98	3.835	.145	2.485	14,983	46,000	1,000
July 18	9.9	4.04	3.835	.205	2.485	19,592	47,000	1,000
July 25	9.9	4.04	3.94	.10	2.59	13,840	47,000	None.
Aug. 1	9.9	4.04	3.94	.10	2.59	15,629	46,000	None.
Aug. 8	9.9	4.04	3.94	.10	2.59	31,887	44,000	None.
Aug. 15	9.9	4.04	3.89	.15	2.54	27,958	39,000	None.
Aug. 22	9.11¼	4.09	3.89	.20	2.54	47,971	37,000	None.
Aug. 29	9.11¼	4.09	3.92	.17	2.57	40,425	40,000	None.
Sept. 5	10.3	4.16	3.92	.24	2.57	35,619	36,000	None.
Sept. 12	10.0	4.11	3.95	.16	2.60	18,536	41,000	None.
Sept. 19	9.11¼	4.09	3.95	.14	2.60	25,397	41,000	None.
Sept. 26	10.0	4.11	3.95	.16	2.60	30,071	41,000	None.
Oct. 3	9.9	4.04	3.95	.09	2.60	39,560	41,000	None.
Oct. 10	9.8¼	4.03	3.95	.08	2.60	43,931	41,000	None.
Oct. 17	9.4½	3.96	3.90	.06	2.55	16,300	41,000	None.
Oct. 24	9.3	3.93	3.90	.03	2.55	47,485	41,000	None.
Oct. 31	9.3	3.93	3.90	.03	2.55	34,586	41,000	None.
Nov. 7	9.4½	3.96	3.90	.06	2.55	31,293	35,000	None.
Nov. 14	9.5¼	3.98	3.80	.18	2.45	27,415	33,000	None.
Nov. 21	9.4½	3.96	3.70	.26	2.35	6,538	33,000	None.
Nov. 27	9.3	3.93	3.625	.305	2.275	11,754	33,000	None.
Dec. 5	9.5¼	3.98	3.625	.355	2.275	40,455	28,000	None.
Dec. 12	9.9	4.04	3.85	.19	2.50	19,863	33,000	None.
Dec. 19	9.8¼	4.03	3.85	.18	2.50	15,988	33,000	None.
Dec. 26	9.10½	4.07	3.85	.22	2.50	11,612	30,000	1,000

Digitized by Google

SCHEDULE D, 1908.

Date.	Hamburg beets (sterling).	Ditto parity centrifugal New York.	Cuban centrifugal, duty paid.	Below parity of Europe against 34 cents differential.	Ditto c. and f.	Receipts all sugars Atlantic ports.	Meltings.	Receipts in Cuba, 6 ports.
						Tons.	*Tons.*	*Tons.*
Jan. 2	9.11¼	4.09	3.85	0.24	2.50	22,275	25,000	2,000
Jan. 9	9.9¾	4.06	3.94	.12	2.59	16,261	24,000	9,000
Jan. 16	9.10¼	4.07	3.92	.15	2.57	15,321	25,000	10,000
Jan. 23	9.9¼	4.06	3.80	.26	2.45	8,225	25,000	15,000
Jan. 30	9.11⅛	4.09	3.75	.34	2.40	21,627	25,000	21,000
Feb. 6	10.0	4.11	3.75	.36	2.40	41,523	27,000	40,000
Feb. 13	9.10⅛	4.07	3.67	.40	2.32	48,992	28,000	49,000
Feb. 20	9.9¾	4.06	3.67	.39	2.32	42,165	20,000	56,000
Feb. 27	10.0¾	4.12	3.885	.235	2.535	68,682	32,000	56,000
Mar. 5	10.3	4.16	3.89	.27	2.54	45,046	35,000	52,000
Mar. 12	10.6¾	4.22	4.05	.17	2.70	55,780	35,000	50,000
Mar. 19	11.0¾	4.33	4.125	.205	2.775	62,307	34,000	45,000
Mar. 26	11.4⅛	4.40	4.36	.04	3.01	28,442	40,000	40,000
Apr. 2	11.4⅛	4.40	4.36	.04	3.01	37,079	40,000	39,000
Apr. 9	11.6	4.43	4.36	.07	3.01	36,768	41,000	32,000
Apr. 16	11.8¼	4.47	4.36	.11	3.01	64,516	41,000	27,000
Apr. 23	11.9¾	4.50	4.42	.08	3.07	49,273	39,000	18,000
Apr. 30	11.8¼	4.47	4.42	.05	3.07	65,663	39,000	10,000
May 7	11.8¼	4.47	4.36	.11	3.01	49,224	40,000	8,000
May 14	11.5¼	4.42	4.36	.06	3.01	76,008	41,000	11,000
May 21	11.2¼	4.36	4.24	.12	2.89	62,901	41,000	10,000
May 28	11.4⅛	4.40	4.27	.13	2.92	42,366	41,000	5,000
June 4	11.2¼	4.36	4.36	----------	3.01	38,712	41,000	4,000
June 11	11.4⅛	4.40	4.40	----------	3.05	19,644	45,000	5,000
June 18	11.0¾	4.33	4.31	.02	2.96	46,227	45,000	2,000
June 25	11.0¾	4.33	4.25	.08	2.90	47,634	43,000	2,000
July 2	11.5¼	4.42	4.39	.03	3.04	35,795	45,000	2,000
July 9	11.5¼	4.42	4.39	.03	3.04	37,682	43,000	2,000
July 16	11.3	4.37	4.36	.01	3.01	29,434	45,000	1,000
July 23	10.10⅛	4.29	4.25	.04	2.90	30,725	45,000	None.
July 30	10.8¼	4.25	4.25	----------	2.90	54,100	44,000	None.
Aug. 6	10.2¼	4.15	4.125	.025	2.775	24,126	40,000	None.
Aug. 13	10.0¾	4.12	4.08	.04	2.73	31,417	37,000	None.
Aug. 20	9.10⅛	4.07	4.08	+.01	2.73	31,600	37,000	None.
Aug. 27	9.5¼	3.98	3.90	.08	2.55	44,917	37,000	None.
Sept. 3	9.8¼	4.03	3.96	.07	2.61	20,417	38,000	None.
Sept. 10	9.6	3.99	3.90	.09	2.55	56,251	87,000	None.
Sept. 17	9.9	4.04	3.95	.09	2.60	38,386	40,000	None.
Sept. 24	10.0	4.11	3.98	.13	2.63	38,885	40,000	None.
Oct. 1	9.6	3.99	3.98	.01	2.63	46,102	40,000	None.
Oct. 8	9.6¾	4.00	3.98	.02	2.63	61,140	45,000	None.
Oct. 15	9.11¼	4.09	3.96	.13	2.61	19,960	45,000	None.
Oct. 22	10.4⅛	4.19	4.04	.15	2.69	26,342	45,000	None.
Oct. 29	9.11¼	4.09	3.98	.11	2.63	55,550	45,000	None.
Nov. 5	10.1⅛	4.14	3.95	.19	2.60	36,365	40,000	None.
Nov. 12	10.3	4.16	3.94	.22	2.59	25,470	45,000	None.

Mr. ATKINS. I have prepared another statement showing the weekly quotations, from Messrs. Willett & Gray, of centrifugal and granulated sugar at an equal date. This schedule covers a period of two years, 1907 and 1908, up to November 12. It shows that in the early part of 1907 the refiners' margin reached for a short period 1⅛ cents. Granulated sugar sold at 1⅛ cents over the price of raw sugars, but that was for a very short period, and by the last of March the margin began to drop to 97 cents, 94 cents, 91½ cents, 88½ cents, 87 cents, 83½ cents, 87 cents, and so on. During the summer months the margin dropped on the 25th of July to 76 cents a hundred pounds, and then it ran to 71 cents, 71 cents, 76 cents, 76 cents, 73 cents, 73 cents, 70 cents for a number of weeks, then 75 cents again, then it rose to 80 cents and up to 97 cents, at the end of the year, after the last of November, but late in December it again dropped to 70 cents.

Mr. FORDNEY. What caused that drop in the price?

Digitized by Google

Mr. ATKINS. The pressure of sugars on the market late in the season from Louisiana and from the beet districts, the supply exceeding the demand.

Mr. FORDNEY. Were you speaking of refined sugar?

Mr. ATKINS. I am showing the prices of refined sugar and how they have followed the course of raw sugar. The refiner always attempts to maintain a margin, and the average margin figures a slight fraction over 90 cents a hundred.

Mr. FORDNEY. Then it is not true that the sugar trust fixes the prices both for the raw and the refined sugar?

Mr. ATKINS. It fixes it in this way, by being the largest factor. It is really fixed by the refiner buying it and you selling it. It is fixed by the producer and refiner. The refiner buys just as cheaply as he can. If he wants one cargo and three cargoes are offered, he buys the cheapest cargo.

Mr. FORDNEY. There is a general impression that the American Sugar Refining Company fixes the price in the United States market both for refined and raw sugar.

Mr. ATKINS. The raw sugar market is fixed by the price abroad, the price at which the refiner can buy. He will not pay any more for domestic sugar than the foreign sugar will cost him, and if he can buy the domestic sugar at a less price he takes the domestic sugar. The refiner buys just as cheaply as he can, just as you gentlemen would do under similar circumstances; you would not pay more than the asking price for any article of merchandise.

Mr. FORDNEY. Are Cuban raws bringing in our market as much as German raws?

Mr. ATKINS. No. This table I have just presented shows that the price of Cuban raw sugar is largely below the parity of Europe. The reason is that the Cuban sugar, plus the domestic supply, is almost enough to meet the United States requirements. We do not need any from abroad. If the price of German sugar drops the Cuban is enabled to cut his price to the extent of the differential, but the domestic producer, having an advantage of $1.35 a hundred over the Cuban producer, can cut his price down—I can not saw how far; but we see now they are cut far below the Cuban price. The whole thing is governed by the very simple law of supply and demand, and I think that we are all perhaps a little inclined when we are disappointed in getting a certain price for goods to throw the blame on somebody else.

The cost of refining is generally admitted to be about 62 cents a hundred pounds, and if the refiner gets a margin between the cost of his raw sugar and the price of his refined of 90 cents a hundred pounds during the year, he makes the difference between the cost of refining, 62 cents, and 90 cents, which gives him a profit of about 28 cents a hundred pounds. I mention that to contradict the statement—it has not been made here, but it is often made—that the refiner, we will not say the trust, gobbles this differential which was given to Cuba. The figures show this is not so. He can not get it. He could not get it if he wanted to; there is too much competition among the refiners themselves.

Digitized by Google

(The statement referred to by Mr. Atkins follows:)

SCHEDULE E.—REFINERS' MARGIN, 1907.

Date.	Price granulated.	Price centrifugal.	Margin, 100 pounds.	Date.	Price granulated.	Price centrifugal.	Margin, 100 pounds.
January 3	4.62	3.56	1.06	July 3	4.85	3.835	1.015
January 10	4.50	3.56	.94	July 11	4.75	3.835	.915
January 17	4.62	3.50	1.12	July 18	4.75	3.835	.915
January 24	4.60	3.48	1.12	July 25	4.70	3.94	.76
January 31	4.65	3.48	1.17	August 1	4.65	3.94	.71
February 7	4.50	3.42	1.08	August 8	4.65	3.94	.71
February 14	4.55	3.42	1.13	August 15	4.65	3.89	.76
February 21	4.55	3.38	1.17	August 22	4.65	3.89	.76
February 28	4.55	3.42	1.13	August 29	4.65	3.92	.73
March 7	4.55	3.51	1.04	September 5	4.65	3.92	.73
March 14	4.55	3.50	1.05	September 12	4.65	3.95	.70
March 21	4.55	3.51	1.04	September 19	4.65	3.95	.70
March 28	4.55	3.58	.97	September 26	4.65	3.95	.70
April 4	4.55	3.61	.94	October 3	4.65	3.95	.70
April 11	4.65	3.735	.915	October 10	4.65	3.95	.70
April 18	4.65	3.765	.885	October 17	4.65	3.90	.75
April 25	4.60	3.73	.87	October 24	4.65	3.90	.75
May 2	4.60	3.765	.835	October 31	4.65	3.90	.75
May 9	4.70	3.83	.87	November 7	4.65	3.90	.75
May 16	4.85	3.86	.99	November 14	4.60	3.80	.80
May 23	4.85	3.92	.93	November 21	4.60	3.70	.90
May 29	4.85	3.90	.95	November 27	4.60	3.625	.975
June 6	4.85	3.84	1.01	December 5	4.55	3.625	.925
June 13	4.85	3.73	1.12	December 12	4.55	3.85	.70
June 20	4.85	3.71	1.14	December 19	4.55	3.85	.70
June 27	4.85	3.875	.975	December 26	4.55	3.85	.70

Average of margin, 0.903.

SCHEDULE F.—REFINERS' MARGIN, 1908.

January 2	4.55	3.85	0.70	June 11	5.20	4.40	0.80
January 9	4.75	3.94	.81	June 18	5.25	4.31	.94
January 16	4.75	3.92	.83	June 25	5.25	4.25	1.00
January 23	4.75	3.80	.95	July 2	5.25	4.39	.86
January 30	4.75	3.75	1.00	July 9	5.25	4.39	.86
February 6	4.75	3.75	1.00	July 16	5.25	4.36	.89
February 13	4.65	3.67	.98	July 23	5.25	4.25	1.00
February 20	4.55	3.67	.88	July 30	5.15	4.25	.90
February 27	4.65	3.885	.765	August 6	5.05	4.125	.925
March 5	4.75	3.89	.86	August 13	5.05	4.08	.97
March 12	4.85	4.05	.80	August 20	5.05	4.08	.97
March 19	5.05	4.125	.925	August 27	4.75	3.90	.85
March 26	5.25	4.36	.89	September 3	4.95	3.96	.99
April 2	5.25	4.36	.89	September 10	4.95	3.90	1.05
April 9	5.25	4.36	.89	September 17	4.95	3.95	1.00
April 16	5.35	4.36	.99	September 24	4.95	3.98	.97
April 23	5.35	4.42	.93	October 1	4.95	3.98	.97
April 30	5.35	4.42	.93	October 8	4.85	3.98	.87
May 7	5.15	4.36	.79	October 15	4.85	3.96	.89
May 14	5.35	4.36	.99	October 22	4.75	4.04	.71
May 21	5.35	4.24	1.11	October 29	4.85	3.98	.87
May 28	5.20	4.27	.93	November 5	4.75	3.95	.80
June 4	5.20	4.36	.84	November 12	4.60	3.94	.66

Average, 0.908.

Mr. ATKINS. I come now to the matter of cost to the Cuban interests. It seems to me, gentlemen, that this sugar schedule, the most important one in your tariff list, the one producing the largest revenue and the one involving enormous conflicting interests, can not be rightly considered without consideration of the Cuban and Philippine Island questions. Those three questions are so involved it would seem to me, unitiated as I am, that they must be considered jointly. It would be most difficult for a committee of the House to estimate revenue upon any schedule without counting on what the State Department might do in the way of reciprocity treaties or what

Digitized by Google

action it might take with reference to repealing the duty on the Philippine Island sugar, and for that reason I have suggested that the decision be reserved in accordance with the request from Habana until the whole question can be taken up and other parties not able to be present to-day can present their case.

We come now to the cost. So far we have not gotten at the real cost, in my opinion, of any sugars. I am prepared to state—while no accurate data is available in regard to the average cost in Cuba, I do not hesitate to state, from a very long experience there and a general knowledge of a great many things in a great many places—that the average f. o. b. price in Cuba at all ports, all districts, would be in the neighborhood of $2.20 a hundred pounds, 2.2 cents a pound; that is, f. o. b. To show what that means, the shipping charges, which in Cuba include the packages, amount on the average in all ports to 20 cents a hundred pounds. That would reduce the cost of the sugar in store to 2 cents a pound, United States currency. Out of that the manufacturer has to pay his inland freight to the different ports of shipment. The freight can be estimated for all ports and all distances at not less than 10 cents a hundred pounds.

The CHAIRMAN. You are speaking of 96° test sugar?

Mr. ATKINS. Yes, sir. All of the Cuban crop, practically all, is centrifugal, and 91½ per cent of all the sugars imported into the United States are sold on the basis of 96°. That leaves a very small proportion of the low grades. One dollar and ninety cents is my opinion of the average cost, and I state it at a very low figure in order that no one may take exception to it; $1.90 is the cost at the factory. Various factories in Cuba, many of them, are doing it cheaper. I know they are doing it cheaper. I do not deny that I am doing it cheaper myself, but I know many estates can not do it for that price, a great many estates, fairly well conducted at that. That would leave the cost of the sugar in the cane—that is, the cost of the raw material entering into the manufacture of sugar—$1.37 on a hundred pounds, leaving but a little over one-half cent a pound to pay all the other manufacturing expenses, a figure so low I have almost hesitated to give it, a figure so low that I believe my associates in Cuba would say that it represented less rather than more than the average cost. The figures I have given do not vary very much from the figures given some years ago by General Bliss when he was before this committee.

Taking the sugar at $2.20 f. o. b. I want to say that leaves but $2.50 per ton to the planter for his cane, out of which he must pay the cultivation, the depreciation of his fields, which is large, the depreciation of his cattle in use, and harvesting expenses. Two dollars and fifty cents a ton, in my opinion, is a very low estimate to cover the actual cost, leaving him not one cent of profit on his business. The freight I have added at the rate of 25 cents a ton.

Starting from $2.20 f. o. b. we may add 10 cents a hundred pounds as the average freight from all the ports in Cuba in normal years. The present duty on sugar is $1.35, the cost of refining 62 cents a hundred pounds. The freight to Chicago is at present, I believe, 28 cents. The lowest price at which granulated sugar can be laid down in Chicago refined from Cuban sugar would be $4.55 a hundred pounds, a little more than 4½ cents a pound. That is without any profit whatever, not even interest on capital employed, without any

Digitized by Google

profit to the producer of the sugar cane in Cuba, to the manufacturer of the sugar there, to the refiner of the sugar in this country, or to anybody else. Naturally, it is not to be expected that people are going to do business without any profit, but I have figured down the actual minimum cost at which sugar can be laid down in Chicago.

Now, I will go to beet sugar. The gentlemen here yesterday gave their experience in regard to the cost of beet sugar, and I noticed one thing to which I should like to call your attention. They gave the cost of beet sugar to the manufacturer at the price which the manufacturer pays for his beets. There is a very large profit to the farmer in raising the beets. If you want to get at the cost you must eliminate that profit. In Mr. Saylor's report for 1906 he states that the cost of an acre of beets on irrigated land, the average cost, is $40 an acre, and on natural land, without irrigation, $30 an acre. The irrigated lands being of less proportion than unirrigated lands, it seems to me quite safe to take an average cost per acre of beets at $35, being the difference between the two extremes.

Mr. Saylor gives, on page 104 of that report, the average tonnage of beets per acre as 11.26 tons; cost per acre, $35. This would equal a cost per ton of beets of $3.11. To this I add railroad freight at an estimated amount which I have tried to put at an extreme figure of 60 cents a ton. One of the gentlemen mentioned yesterday 40 cents a ton as the freight rate at his factory.

The CHAIRMAN. The statement was that the excess over 40 cents was paid by the farmer.

Mr. ATKINS. Yes, sir. In one of the States, I think Michigan or Wisconsin, I noticed in some of the reports they had a freight rate of 40 cents a ton not exceeding 100 miles. A great deal of the beets are delivered by the farmers directly to the mill and incur no railroad charge. This would bring the cost of a ton of beets to $3.71 to the manufacturer, the cost to the farmer being $3.11.

Now, Mr. Saylor gives the average yield of sugar on weight of beets during the same year as 11.42 per cent. This would equal 228.4 pounds on 2,000 pounds of beets costing $3.71—that is, the beets—making the cost for the raw material entering into the manufacture of 1 pound of granulated sugar 1.62 cents.

I do not dispute any of the figures given yesterday in regard to the cost of the beet sugars by the manufacturer, but I call attention to the fact that the witnesses have given the cost inadvertently, unintentionally, I have no doubt. They give the cost of the sugar based on the price which they pay for the beets. I hold that the principle of protection is the protection of all, that part of the protection given by the sugar schedule is intended for the farmer and another part is intended for the manufacturer, and that it is not right, it is not proper, after the farmer has taken his part of the protection, for the manufacturer to claim that the United States should give it to him a second time. I will not tire you with these figures, but will present them for verification.

Mr. Saylor's report shows in 1907 a smaller tonnage of beets per acre and a higher yield of sugar per ton, the one about offsetting the other, and the cost of the raw material entering into the manufacture of 100 pounds of sugar beets that year was $1.64. It was $1.62 the previous year.

Digitized by Google

TUESDAY, *November 17, 1908.*

[Saylor's Report, 1906.]

Beet-sugar Industry.

Cost per acre of beets (page 24):		
Irrigated lands	40	$35.00
Natural lands	30	
Average tonnage of beets per acre (page 104):		
11.26 tons cost per acre $35 = a cost per ton of beets		3.11
Railroad freight per ton of beets figured on total beets, part only delivered by railroad (estimated)		.60
		3.71
Average yield sugar (page 104) on weight of beets, 11.42 per cent = 228 $\frac{4}{10}$ pounds on 2,000 pounds beets, cost $3.71 or per pound of sugar		1.62
Cost of manufacturing, cooperage, and delivery to cars	(?)	1.25
		2.87

[Saylor's Report, 1907.]

Cost per acre (1906 report)		35.00
Average tonnage beets per acre (page 63):		
10.16 tons cost per acre, $35 = a cost per ton of beets		3.44
Railroad freight per ton, figured upon total beets, part only delivered by railroad		.60
		4.04
Average yield sugar (page 62) on weight of beets, 12.30 per cent = 246 pounds per ton on 2,000 pounds beets; 1 ton of beets yielding 246 pounds sugar costs $4.04 = per pound sugar		1.64
Cost of manufacturing, cooperage, and delivery to cars	(?)	1.25
		2.89

Now, I am not prepared to give you and you must therefore ask some of the other gentlemen interested what the manufacturing expense of 100 pounds of beet sugar would amount to. If it does not exceed $1.25 a hundred, and I think they would hardly claim that it would exceed that, the cost would be 2.87 cents a pound. In order to verify that I went over such figures as were obtainable of the Utah-Idaho Sugar Company. It is a large company and one of the best managed companies, like the Great Western Sugar Company of Colorado, and, by the way, I think I saw no representative of either of those companies here. None of their experts were here to tell you that they could not stand any reduction in the duties on sugar. This company turned out something over 108,000,000 pounds of sugar. They paid the farmers for the beets $5.17 a ton. The cost of the beets was something over $2,187,000, making the cost of 100 pounds of sugar $2.02, which is a comparatively high price for the beet. Then they give the items of working expenses, amounting to $1,029,613, or 95 cents per 100 pounds of sugar.

Mr. UNDERWOOD. If it will not disturb you, I would like to have you give the committee those items of cost.

Mr. ATKINS. The items are bags, $146,447; coal and coke, $328,483; lime, $52,539; taxes, $72,144; labor, $430,000, making a total of $1,029,613. Then they state that owing to the panic—and this statement is entirely justified by the facts—that the buyers could not take

Digitized by Google

the output, and they had to put the sugar in store all over the country and incurred the expense of storage and insurance and interest for many weeks, and in some cases for several months, and they put down the total of their expenses at $4,000,000. The difference between the items given and $4,000,000—$782,991—I take it, represents the expense for the extraordinary charges which they incurred during that period. That amounts to 73 cents per 100 pounds, making the figure $3.70 a hundred pounds in this year of extraordinary expense.

Mr. UNDERWOOD. Three dollars and seventy cents is the total cost of the sugar at the factory?

Mr. ATKINS. Yes, sir. These are figures taken from their report, and from other information I am led to believe that they are very near to the actual cost.

I want to call your attention to this feature: The farmer received for his beets in Utah and Idaho $5.17 a ton. Based upon Mr. Saylor's figures of the cost of the beets, $3.44, the profit to the farmer would be $1.73 a ton. I do not claim that the farmer is not entitled to his profit; he is well entitled to it.

The CHAIRMAN. Was there any credit given in that report for the by-products?

Mr. ATKINS. There were no items in the report, but I have no doubt that they credited some by-products which they got in before arriving at these figures. That $1.73 a ton to the farmer would amount to 70 cents on a hundred pounds of sugar. Deducting that from the $3.70 would bring the cost of 100 pounds of granulated sugar to 3 cents. A few years ago—I have this direct from stockholders of this company—they were producing sugar in these factories at less than 3 cents a pound. I believe that the figures which I give represent—2⅞ cents, we will call it 3 cents a pound for granulated sugar—will very nearly represent the average cost. Michigan can not do it for this price, California can do it for less, and I believe that Utah and Idaho are doing it for less.

Taking this cost at Colorado points at 3 cents and adding the freight rate to Chicago, where the great traffic meets—all of the sugars from New York and Michigan and Colorado points meet at Chicago—those people can lay down their sugars in Chicago at $3.28 against the cost of sugars from Cuba, refined in New York, of $4.55, giving them an advantage over Cuba of $1.27.

I repeat, gentlemen, that I believe in getting at the actual cost, the comparative cost, you must figure it in this way, by eliminating all the profit both to the agriculturist and the manufacturer. Then, if you are to pursue the Republican policy adopted in a recent platform of protecting home industries to the extent of the difference in cost, it should not be difficult for your committee to arrive at a conclusion in regard to how much protection this industry is entitled to.

Mr. UNDERWOOD. I would like to ask you a question to see if I understand you. Your contention is that, eliminating all profits, both to the farmer and the manufacturer, the beet sugar at Chicago has an advantage of $1.27 over the Cuban or foreign sugars?

Mr. ATKINS. Exactly.

Mr. UNDERWOOD. They have that much profit to be distributed to them?

Mr. ATKINS. Yes, sir.

Digitized by Google

Mr. McCALL. That is assuming that the Cuban sugar is laid down in Chicago without any profit at all?

Mr. ATKINS. Yes, sir.

Mr. McCALL. You figure that the Colorado man would have an advantage of $1.27 a hundred pounds?

Mr. ATKINS. Yes, sir.

Mr. McCALL. And whatever profit the Cubans get will have to be added to this $1.27?

Mr. ATKINS. Yes, sir. But the Cuban planter is not going to work for nothing for a long period.

Mr. CLARK. Did you hear the statement of Mr. Hathaway yesterday, that it cost $3.50 or $3.75 a hundred pounds to produce this beet sugar?

Mr. ATKINS. I think I missed that statement.

Mr. CLARK. Mr. Hathaway said that they paid $2.40 to the agriculturist; that is what it cost them?

Mr. ATKINS. Yes, sir. That is not the cost for which the sugar can be produced. You must eliminate the profit to the agriculturist. If they pay $5.17 a ton for the beets, the farmers make $1.75 a ton profit.

Mr. CLARK. Mr. Hathaway's statement was that he paid $2.40 for the sugar in the beet?

Mr. ATKINS. Very likely. He did not give the price of the beets.

Mr. CLARK. If it is true that these beet sugar men can make this beet sugar as cheaply as you say, how can you Cuban people compete at all?

Mr. ATKINS. I have just told you.

Mr. CLARK. What I want to know is this: If it costs you the price you figure at Chicago and it only costs these beet sugar men the price you figure for them at Chicago, how can Cuban planters or sugar men compete with the beet sugar men at all?

Mr. ATKINS. If I can give you a further explanation, perhaps I can explain that point.

Mr. CLARK. Very well, proceed.

Mr. ATKINS. Official returns from Germany last year showed a yield of beets of 15.55 net tons per acre, while the average return of beet sugar in the United States was 10.16 net tons per acre. The official returns from Germany on the yield of the beet was 15.78 per cent, or 315 pounds to the net ton. I reduced these figures to our measure, and in the United States it was 12.30 per cent, or 246 pounds a net ton.

The United States has been advancing year by year in the quality of its work, but they are far behind Europe now and they have still a great deal to learn. They will improve their work as years go on, I have no doubt. There are able men connected with it, and they will improve, and when they get their work to the point of Germany, figuring on the protection of freights from the Atlantic coast which they have, they will not need any protection in order to give them a profit against Cuba.

I do not come here pleading for the abolition of duties on sugar. I would not suggest such a reduction in the duties as would cripple the beet industry of the United States, but I want to show to you gentlemen that the present protection is not needed, and I want to illustrate the fact that a high protective duty invariably leads to a poor

Digitized by Google

quality of work. That has been so in all countries. It is only when competition has become sharp, extremely so, that the costs have been reduced and the methods have been improved, and a reduction of the duties to-day would tend to hasten an improvement in the manufacture of beet sugar.

Mr. CLARK. The Chicago prices we have been talking about on Cuban sugar leaves no profit at all, as I understand it. Is that true or not?

Mr. ATKINS. We have not come to the condition of selling sugar at the bare cost. I do not claim that.

Mr. CLARK. You would quit it if you did?

Mr. ATKINS. Yes, sir.

Mr. BOUTELL. What is the beet sugar cost at Chicago.

Mr. UNDERWOOD. Three dollars and twenty-eight cents.

Mr. BOUTELL. And the other sugar $4.50?

Mr. UNDERWOOD. Four dollars and fifty-five cents.

Mr. ATKINS. I estimate that the average cost of the beet sugar laid down in Chicago is 3.28 cents per pound.

Mr. CLARK. If it costs the Cuban sugar men 4.55 cents per pound a ton to get their sugar on the market at Chicago, without any profit, then these beet sugar men have a net profit of 1.27 cents, where you get none at all?

Mr. ATKINS. If it came down to the question of bare cost they would have that difference.

Mr. CLARK. How much do you get for your sugars in Chicago?

Mr. ATKINS. The Chicago price of granulated sugar is about 4.55 to-day.

Mr. WILLETT. About 4.78; 4.55 plus 28 freight.

Mr. CLARK. That puts you in a hole, then, to the extent of 28 cents a hundred?

Mr. MCCALL. No; they get 4.55 plus 28. They get 4.78.

Mr. CLARK. That just leaves you where you started in, then?

Mr. ATKINS. No, sir. I am simply illustrating the fact here that the actual cost at the competing point in Chicago is that, in order that you gentlemen may form your opinion of the protection that should be afforded to the beet sugar industry, both manufacturers and agriculturists, in the United States.

Mr. CLARK. What will become of these beet sugar men when Cuba becomes a part of the United States?

Mr. ATKINS. That is a danger which I hope will not arise at the present time. But there is imminent danger of that coming about most unexpectedly, very unexpectedly, unless some reasonable concession is made for Cuba.

Mr. CLARK. Have you any information as to whether they produce beet sugar in Germany or France or anywhere else as cheaply as you can produce cane sugar in Cuba?

Mr. ATKINS. They can produce it cheaper under present conditions than in Cuba. The cost of producing sugar in Cuba, figuring on my own results since 1903, shows an advance of 23½ per cent. This advance came in this way: Our control over Cuba has helped to raise the cost of wages there, the standard of living and everything, while the price of sugar has not increased at all.

Mr. CLARK. Now, leaving out the question of difference of cost of labor temporarily, what is the reason why the Michigan and Colo-

Digitized by Google

rado sugar men can not produce beet sugar as cheaply as they do in Germany, or is there any other element of cost in there?

Mr. ATKINS. Allow me to refer to my notes again. Perhaps I can explain that. I have shown you the difference in the tonnage of cane in Germany and in the United States, Germany cultivating in a most scientific way, with the greatest of care, and the United States cultivators not having yet reached that standard. I have shown you the yield of sugar from the beets in Germany and in the United States. The manufacturers in the United States have not yet brought the beets up to the point of quality of the beets produced in Germany, not having yet reached their standard of manufacture. Now, the State of Michigan, if my friends of the opposition will excuse my referring to this—the State of Michigan shows the lowest tonnage of beets per acre of any of the States of the Union. It shows a yield below the average yield of the rest of the United States. Consequently their sugar costs them more than any other State in the United States; it costs them more than the average.

Mr. FORDNEY. Mr. Atkins, you stated that the cost of production of beet sugar was $3.70. Mr. Hathaway yesterday made the statement that the cost was from $3.75 to $4.

Mr. ATKINS. I suppose Mr. Hathaway is figuring on the price that the manufacturers pay the agriculturist for the beet. I have deducted the profit to the agriculturist.

Mr. FORDNEY. Why do you do that? The farmers would not raise the beets unless the manufacturers paid them the price.

Mr. ATKINS. I am stripping the whole business profit on their part, and everything, in order to get at the bare cost and allow your committee to arrive at your own conclusions as to the amount of protection required. It would not be fair to estimate the cost of Cuban sugar on the bare cost there and take the price of beet sugar on the cost that the manufacturers pay for the beets.

Mr. FORDNEY. You say there is great danger of the annexation of Cuba. If the Government would remove the duty from Cuban sugar and put the beet sugar men in this country out of business, there would be no danger of annexation, would there? That would certainly put the beet sugar men out of business here.

Mr. ATKINS. There would be very little danger of annexation in that case, but such a condition as that is not to be desired. Nobody asks for such a condition as that.

Mr. FORDNEY. You stated, Mr. Atkins, when Cuban reciprocity was being considered by the Committee on Ways and Means, that if the concession was made such as you asked the United States would get the greater portion, or would get all the importations to Cuba.

Mr. ATKINS. No; beg pardon. I did not make that statement.

Mr. FORDNEY. You should get it, you said.

Mr. ATKINS. Oh, you mean when Cuban reciprocity was considered?

Mr. FORDNEY. Yes.

Mr. ATKINS. I think the greater part of the importations.

Mr. FORDNEY. You said, "We ought to get almost everything Cuba consumes." The fact is that for four years prior to the adoption of Cuban reciprocity we sold Cuba $25,000,000 worth of products per year and took from her an average of $40,000,000 worth per year.

Mr. ATKINS. I think it is more than that.

Digitized by Google

Mr. FORDNEY. No. That was the average of four years prior to the adoption of Cuban reciprocity.

Mr. ATKINS. Yes; during the period right after the war.

Mr. FORDNEY. In the four years since that we have sold Cuba an average of $40,000,000 per year of products and taken an average of $86,000,000 of her exports per year. It was not a good trade, was it?

Mr. ATKINS. It is not fair to figure in dollars and cents on the imports of Cuba. The same crop of 1,000,000 tons will give you very much more money when figured on the value of imports in one year than in another year, and during the year 1905, for instance, when there was a shortage of 1,000,000 tons in the European crops, the prices in Cuba rose to a very high figure, and the imports did not, as given in the United States statistics in dollars and cents, represent the increase in pounds or tons of sugar that you would be led to suppose.

Mr. FORDNEY. But we pay the same rate of duty going on our goods exported to Cuba now as before the adoption of that law.

Mr. ATKINS. No, sir.

Mr. FORDNEY. Yes. I beg to differ with you.

Mr. ATKINS. No; you have a differential now, ranging from 20 to 40 per cent. They are on a much higher level of value in this country than Europe is.

Mr. FORDNEY. Did not the Cuban government call its Congress together shortly after that treaty was signed and raise the duty to all countries?

Mr. ATKINS. To us?

Mr. FORDNEY. To all countries; raised the duties just the amount provided for reduction, so that we pay the same as before, while Cuba pays 20 per cent less.

Mr. ATKINS. If you get into the Cuban market at 75 cents on the dollar as an advantage over the foreign manufacturer, what difference does that make?

Mr. FORDNEY. The difference made is that we pay the same as before, and we are accepting their imports at 20 per cent less than before, and we have not had our share of the increase of trade.

Mr. ATKINS. On the article produced in the United States I have to pay that increase of duty.

Mr. FORDNEY. Mr. Atkins, you said in your pamphlet, "Tariff relations with Cuba, actual and desirable," a statement you made recently, this:

> While the present differential duty of 0.34 cent per pound has proved sufficient to protect Cuba in the United States markets against the lower cost sugars of Europe and Java, she can not long compete with our domestic sugars against the duty she is now paying of 1.35 cents per pound.

Then you wound up by saying that Cuba wants "a square deal." How much have we got to give Cuba before she gets "a square deal" from us?

Mr. ATKINS. I think when the Cuban planters make the request to reduce the tariff of the United States there should be a very material reduction, not less than one-half a cent a pound from the schedule, and the present differential of 0.34 cent a pound should be retained; not 20 per cent, because on the lower rate it would be a higher ratio of percentage, but that the specific differential of 0.34

Digitized by Google

cent should be retained. That would have the same effect in Cuba in competing with domestic sugars. I would make that apply to the schedule of all countries, and Cuba would have the same advantage over European countries—foreign countries—as she has to-day.

The CHAIRMAN. I would like to hear from you on the point as to why that differential of 0.34 cent, the difference between refined and raw sugar, should be retained at that amount. I would like to have the facts and arguments stated fully on that point, either now or after Mr. Fordney asks his questions.

Mr. FORDNEY. One more question, Mr. Atkins. Mr. Smith, representing the Owasso Sugar Company, in Michigan, stated yesterday that his firm had received a profit of but 29 cents a hundred pounds on their product. How much reduction do you think that company could stand and still survive the storm?

Mr. ATKINS. I know of estates, sugar estates, in Cuba that are not paying their operating expenses.

Mr. FORDNEY. Should not charity begin at home?

Mr. ATKINS. No government protects the manufacturer against the maximum cost. Protection is supposed to be accorded to all, in fact to cover the average cost, figuring on the average cost, not the maximum cost. Now, of these gentlemen that are in the beet-sugar business here, many are worthy gentlemen, but I think some of them mentioned yesterday that they had been engaged in the lumber business and other business in Michigan, and they can hardly expect to enter a business that has been developed in Europe for two or three generations and where they have the most scientific men in the world employed; they can hardly expect to step out of the lumber and wool and cotton manufacturing business into the sugar business and acquire the same degree of proficiency in the course of two or three years as those Germans have, or as have people in the United States who have been trained from childhood scientifically.

Mr. FORDNEY. One said he stepped out of the oil business into the sugar business.

Mr. ATKINS. Well, so much the worse. [Laughter.]

Mr. FORDNEY. Mr. Atkins, then, as a citizen of the United States, would you protect the Cuban before you would protect the American manufacturer?

Mr. ATKINS. No, sir; no, sir. In order that my position may not be misunderstood, let me tell you this: My house was established long before I was born, some seventy-odd years ago. My father and predecessor in that house was one of the prime movers in the development of the western country, the territory between the Missouri River and the Pacific coast. I have the keenest interest to-day in the general business development of the United States, and particularly of that district; the keenest interest. I would be the last man in the world to advocate any measure that would injure, in my opinion—permanently injure or cripple—any established American industry.

Mr. FORDNEY. Mr. Atkins, those beet sugar men who made the statements yesterday made such statements, if true—and I believe the sugar men at any time [laughter]—that no more reduction in foreign imported raw sugar can be made and the beet-sugar industry survive in this country.

Mr. ATKINS. Exactly. The steel people make the same assertion.

Mr. FORDNEY. I have not heard that.

Digitized by Google

Mr. ATKINS. They contend that you can not reduce the duty on steel rails.

Mr. FORDNEY. I have not heard that.

Mr. ATKINS. There are some manufacturers that can not manufacture steel rails in this country at a less duty than that under which they are being manufactured to-day. But I do not believe in taxing all the population of the United States in order to maintain any special individual manufacturer that can not produce at the average cost. That is the case not only with the beet sugar and steel industries, but with every other industry. God helps those that help themselves, but the idea is that the United States Government ought to help those who can not and will not help themselves. I do not believe in that principle.

Mr. FORDNEY. Mr. Atkins, when Cuban reciprocity was considered, a man representing that interest appeared here from New York—a man by the name of Hubbell, or Hubbard, and he made the statement that he represented a certain society and had received no outside money from any interest for coming here to represent that interest. When put on oath afterwards he admitted that he had deliberately misled the committee when he made that statement. He said he had received money from Mr. Havemeyer and from the Cuban Government, through our representative, our military governor, down there.

Mr. ATKINS. I do not recognize that name. I do not know of anybody receiving money from Mr. Havemeyer. I would not contradict the fact. I know I was delegated as chairman of the American producers in Cuba, and also representing Cuban producers, in making the opening appeal. We raised for the legitimate purposes of that campaign between Cuba and the United States the sum of $18,000. Six thousand dollars of that was returned to the subscribers, and $12,000 was expended in the legitimate purposes to pay one or two representatives in Washington, who were doing a perfectly legitimate business here, and all the printing and publishing expenses.

Mr. FORDNEY. The man's name was Thurber. I was not in any way intimating that the interests in favor of that law or measure were dishonest, except this particular man. He tried to create the impression that the people of the United States, the merchants, wanted Cuban reciprocity. He afterwards admitted that that was not true.

Mr. ATKINS. That his statement was not true?

Mr. FORDNEY. Yes.

Mr. ATKINS. I am sorry that anybody should make a false statement and put themselves in a false light.

Mr. FORDNEY. Mr. Atkins, at the time you made your statement before the Committee on Ways and Means in Cuban reciprocity I was present and it is my recollection that you stated that unless a 50 per cent reduction in our duty was given to Cuba within thirty days they would have a very disastrous panic down there. Now the reduction did not come for nearly two years afterwards, and the fact was they were then in better condition than when you made that statement.

Mr. ATKINS. I am not in the habit of making exaggerated statements, sir, and unless you can show me that in print I would be obliged to doubt that statement. What I did say, according to my

Digitized by Google

recollection, was that if some reduction was not afforded to Cuba, ultimately there would be a serious and disastrous panic, or words to that effect. The conditions in Cuba at that time were very bad.

Mr. FORDNEY. I will accept your recollection. My recollection was that you said thirty days.

Mr. ATKINS. It is not material.

Mr. FORDNEY. However, our trade with them by a reduction of duty there did not benefit us as we supposed it would, and the consumer has not had the benefit of that 20 per cent reduction in the United States. Is that right?

Mr. ATKINS. The consumer has had the benefit of that reduction in the sugar.

Mr. FORDNEY. In the price of sugar?

Mr. ATKINS. What are you speaking of?

Mr. FORDNEY. The lower price to the consumer here.

Mr. ATKINS. It was not intended to give it to the consumer. It was the intention of the United States Government and the belief of the rest of us that that benefit would accrue to the Cuban producer and put Cuba in a proper financial condition. Conditions have so changed to-day that Cuba does not get the benefit of the differential, and, as I have tried to illustrate in my schedules here, that goes neither to the Cuban producer nor to the American refiner, but to the benefit of the consumer in the United States. The reason is this: The production of our domestic sugars amounts to something like 1,425,000 tons, and that production, together with the production of Cuban sugars, almost supplies the United States. During the period when they are coming in—about eight months—they exceed the requirements of the United States, and it is the united pressure of these goods on the market that brings prices down and down until they reach a point where Cuba has lost her differential. Now, having an advantage of 34 cents over sugars from other countries, Cuba can cut 34 cents until that differential, or perhaps more than that differential, is given away to the consumer, and they thereby get the benefit of it. The domestic producer comes in. He has an advantage of $1.35 over the Cuban producer. He can cut prices until he undersells Cuba. That is what is taking place to-day.

If you will read Willett & Gray's trade reports you will find that in the city of Denver, the point of origin of these beet sugars, the price is 5¼ cents a pound. That same granulated is shipped out to Chicago, where it meets the granulated from New York, and is sold at 4.85 cents as against 5.25 cents there. They pay freight for 1,000 miles on that sugar and sell it for 40 cents less than they can get for it in Denver. That is the effect of excessive protection. San Francisco is quoting $5.40. They produce refined beet sugars there, almost enough to supply the Pacific coast, and they have access to the Sandwich Island sugar, 450,000 tons, practically without duty; and Hawaii can ship several thousand miles additional around to New York, because in New York the price is fixed by the Cuban sugars, and they can sell in New York, because they have a big margin there, that is because of our present irrational system. San Fransisco, which ought to get the cheapest sugars in the United States, is paying about three-fourths of a cent more than New York.

Mr. FORDNEY. Mr. Atkins, do you favor a further reduction of the duty on Cuban sugars?

Digitized by Google

Mr. ATKINS. Personally I favor a reduction of duty, making it applicable to the entire schedule, giving Cuba the differential. Whatever would apply to the general schedule would apply to the Cuban schedule.

Mr. FORDNEY. Do you believe that would injure the beet and cane sugar in the United States?

Mr. ATKINS. Not materially. I do not think there is any need now of the present protection. I think the reduction should be at least a half a cent a pound. When the Cuban people get here they will say what they think.

Mr. FORDNEY. The men engaged in the manufacture of beet sugar say they can not stand any reduction.

Mr. ATKINS. Yes; exactly. But the best manufacturers have not been here. I have not seen Mr. Maury, of Denver.

Mr. FORDNEY. I thought the best in the world were in Michigan, and they are all here. [Laughter.]

Mr. ATKINS. I do not want to reflect on your manufacturers, but the figures show that the industry in Michigan is far behind the average in the United States, and the average of the United States is far behind the countries of Europe. There is an immense field for improvement here. If I was a young man, I believe I would go into the beet sugar industry in the United States, even in the face of a large heavy reduction in the duties.

Mr. FORDNEY. This gentleman, Mr. Baird, who appeared yesterday, very clearly showed why sugar could be made cheaper in Europe than here, because labor was only receiving about 10 or 15 per cent in Europe of what it received in the United States. Labor enters largely into the cost.

Mr. ATKINS. I do not want to dispute the fact that sugars can be made cheaper in Germany and elsewhere in Europe than in the United States. I do not wish to advocate the removal of the duties in the United States. I am personally desirous of and advocate the continuance of protection to our domestic sugar industry, but not the unreasonable protection that they are having now, and from the refiners' standpoint these beet sugar people are taking the trade away from the refiners of the Atlantic coast by cutting. The refiners of the Atlantic coast can not go below the cost of imported raw sugars plus the cost of refining, but with the present large margin of protection beet sugar factories can cut, as they are cutting to-day, and undersell the sugars from New York in the markets of Chicago.

Now you raise your protective duties. Those sugars which have already reached New York State, east of Buffalo, and Pennsylvania east of Pittsburg—central Pennsylvania and central New York—those sugars flow to the Atlantic coast and are transported from 1,000 to 1,500 miles to get there. You lower your duties. That beet sugar industry is not destroyed. They can maintain prices in their own territory. There is no reason why they should not supply the territory west of the Mississippi River, or at certain seasons of the year west of Chicago. But there is no reason why they should not be held to that territory. Why should the United States Government destroy the refining interest on the Atlantic coast for the sake of establishing a new beet industry in the central part of the continent?

Mr. FORDNEY. Mr. Atkins, you are a manufacturer of raw sugars in Cuba, are you not?

Digitized by Google

Mr. ATKINS. Yes, sir.

Mr. FORDNEY. Mr. Saylor, from the Agriculture Department, said yesterday that raw sugars in Cuba, at 96 per cent pure, could be produced at 1½ cents a pound.

Mr. ATKINS. Where did he get his information?

Mr. FORDNEY. He said he had visited the island and made an investigation, and found it was about that cost, although others claimed it could be produced at a cent and a quarter. He put it as high as 1½ cents. If that is true, when the beet sugar men of the State of Michigan pay $2.40 a hundred pounds for the sugar in the beets, if we should remove the duty from Cuban sugar it would be impossible for the beet sugar industries in this country to exist, would it not?

Mr. ATKINS. If that were true, yes. I do not question his reports or say that any statement he makes is not true. I accept them. It is for others to repudiate these reports if they do not find them true. But I may say I have never been able to get accurate information about the cost of production at the present time, under present conditions, in Cuba at 1½ cents a pound. I know that one of the leading sugar estates a number of years ago, an estate that claimed to be producing sugar at 1½ cents, had a large floating indebtedness, which was increased year by year, and I naturally questioned the accuracy of their statements. They finally went into the hands of a receiver, and it was found that they carried on their books as an asset a million dollars advanced to the planters for planting cane, every dollar of which after the end of years had to be charged off as a loss. They thought they were getting cane at a price that allowed them to manufacture sugar at the rate of 1½ cents a pound. In reality that cane was costing them more than 2 cents a pound for the sugar.

There are a great many irresponsible statements of that kind made in Cuba, and a man like Mr. Saylor, who does not, possibly, have a thorough understanding of the Spanish language, may go down there and be misled. I have lived on the island for over thirty-five years, part of every year, and I have tried to make the most careful investigations in regard to the cost. I have an extended acquaintance among the leading planters there, and I have never been able to get at such information. I knew several estates several years ago that could produce sugar at 1½ and 1⅝ cents a pound, but those figures do not prevail to-day, and the figures I gave you at $2.20, as I said, are low instead of being too high.

Mr. FORDNEY. Mr. Atkins, the price was given at the time of the hearing on Cuban reciprocity, away back in 1903 and 1902, ranging from a cent and a quarter to 2 1/16 cents in Cuba, by men who made statements before the committee at that time. Colonel Hill said it cost a cent and a quarter.

Mr. ATKINS. Do you remember who Colonel Hill was? I never heard of him.

Mr. FORDNEY. No. Mr. Armstrong said 2 cents, Mr. Mendoza said 2¼, and so on. Some of them put it much lower than that. But several statements were made to the effect that it could be produced at a cent and a quarter at that time.

Mr. ATKINS. After making the statement before the Ways and Means Committee, I took the train immediately and then a boat, and went to Habana. When I reached Habana I found a meeting of planters in session there, and they were trying to get at the cost of

Digitized by Google

manufacture. They put the cost delivered in store, at 1¾ cents, while I had testified before the committee that it was 2 cents. They called me in and I discussed the matter, and I said: "How much have you allowed for depreciation to the cane fields?" They said, "We did not figure on that. We figured on the cost." I said, "What do you mean by the cost? Do you mean what you pay out in cash?" They said, "Yes." I said, "Suppose you were drawing on your capital to the extent of $50,000 or $60,000 or $100,000 a year. Is not that a part of the cost?" They thought it was, but they had not figured on it, neither had they figured on the depreciation of the railroads or the actual outlays or depreciation on carts and implements and machinery. They simply figured their disbursements as against their receipts. They asked me what my depreciation was, and I said $100,000. They asked me what the output of my place was, and I told them, and they divided that by the figures I gave them of my depreciation and added that to the cost of the output, and their figures came out a little higher than mine did. The trouble in Cuba in getting at the cost is that nobody that I have seen there has detailed agricultural accounts. Their accounts are not kept in such form that you can get at the actual agricultural cost. They are not kept in this country, except in very few instances.

Mr. GAINES. In your article here on "Tariff relations with Cuba, actual and desirable," you say:

> As long as the island is prosperous and under some form of United States control, a republican government may be maintained; but should her great sugar industry was made unprofitable, either by cancellation of the treaty or by long continuance of the present high duty against her sugar, revolution, fed by her unemployed, is sure to result in the future as it has under similar circumstances in the past.

And then you refer to the necessity of giving Cuba what you call, in connection with this Cuban duty, "a square deal." What do you mean by the expression "Square deal" in that connection?

Mr. ATKINS. I will tell you just what I mean by that expression, sir. When we went into Cuba and drove out Spain, we destroyed a government that had existed there for two or three centuries. It was not the kind of government that we would call a good government, but still it protected property and it protected lives, except of those people that were in arms against the government. It was a government, and it was a government that other foreign governments could call upon and hold responsible for the protection of the lives and property of foreign citizens. We stepped in there and made the treaty of Paris. I will not tire the committee or the audience by referring to the treaty of Paris, because we are all familiar with it. We afterwards made what we call the Platt Amendment of the Senate, which allowed the United States to interfere there in case the Cuban government could not maintain order and could not protect the lives of citizens and the property of citizens.

The whole world expects the United States Government to protect the property of their citizens and the lives of their citizens, and in order to do that the United States went in there two years ago and landed troops and assumed control for the second time. That condition, if this experiment of delivering the Government again over to the Cubans is made, will be repeated unless the Cubans can govern themselves and maintain order and protect the lives of Englishmen

Digitized by Google

and Germans and Frenchmen and Spaniards on the island, and protect their property. This Government has got to act quickly, and it will not hesitate to act quickly if we go in there again. Very few people believe we will ever get away if we go back there again. Now, having assumed control and having passed laws and put into effect in Cuba our immigration law, our Chinese-exclusion act, and our contract-labor law, which was done by the United States Government in order to prevent unusual cheap labor, in order to prevent sugar from being produced in Cuba at very low prices in competition with domestic sugars; having done that, and raised the cost of her production, Cuba naturally expects—and the foreign and European residents of the island having property in Cuba naturally expect—that the United States will treat Cuba, if not as her own territory, at least as an adopted child. That will give the producers in Cuba a chance to live against the domestic production of this country.

Mr. GAINES. My object was to see, if I could, who it was that was complaining, or, as you might put it, threatening revolution.

Mr. ATKINS. Please do not take that as a threat. I was simply trying to explain conditions in order that you might consider them.

Mr. GAINES. Then I will withdraw the term "threat" and substitute or suggest "danger of revolution." I will put it that way. Your contention is, as I understand it, both now and formerly, that the United States has raised the price of labor. The people generally, therefore, would have no occasion, on account of the action of the United States Government, to revolutionize, would they?

Mr. ATKINS. Well, sir, are you acquainted with the black belt of our own country?

Mr. GAINES. Fairly well.

Mr. ATKINS. Those people have an opportunity to gain pretty good wages if they want to work. Are they a saving people? Do they save up their money? In Cuba they have the same class of people for their labor. They get very high wages, and the consequence is that they work fewer days in the month. When the Cuban plantation negro earns $12 or $14 a month and his feed, he is satisfied. If he can earn that in fifteen days instead of thirty days, he will work fifteen days, and no longer. Now, if you could say they are in better condition by being able, if they wish, to get good wages and to provide for their families and for their comfort, well and good; but they do not do that. Just as soon as the crop is over and anything happens to stop the course of commerce, thousands of men are thrown out of employment, and they are absolutely without means. What do they do? They levy on my cattle and other people's cattle and pigs and anything that they can pick up. They buy an old gun and a machete and commence to rest. They send you letters demanding $5,000 to protect your property. That is not the better class of the Cuban people. That is the class that the better class of people in Cuba have to contend with, the class that they have to control, somewhat similar to the people we have to contend with in the black belt of the South.

Mr. GAINES. Do I understand you propose to still further increase the wages of that class of people by a manipulation of the American tariff for the purpose of inducing them to behave themselves?

Mr. ATKINS. No, sir. Such a proposition as that is a surprise to me. I do not see how you can imagine such a thing.

Digitized by Google

Mr. GAINES. I am merely trying to find out. I could never understand the situation before. In your hearing on the 15th day of January, 1905, when Cuban reciprocity was under consideration in the Committee on Ways and Means, you used this language:

The labor in Cuba is very limited, and I have very strong doubts in my mind whether there is labor enough in Cuba to cut and take off, possibly, a crop of 800,000 tons. The wages are high. Wages there run quite as high as the average agricultural labor in the United States. The men can not be had, and in order to increase the cane crop of Cuba, I think, you have to import the labor to make it.

Mr. ATKINS. Yes.

Mr. GAINES. What I can not understand is this, that if the agricultural laborer is just as prosperous in Cuba as he is in the United States, why we need take that into consideration in making up our minds as to whether there should be a reduction in the tariff so far as it affects Cuban cane sugar.

Mr. ATKINS. Well, sir, in order to keep labor employed in Cuba—and it must be employed if it is going to be quiet—you must keep the business interests of the island in a condition where they can earn a fair return on their investments. Otherwise they will go out of business and shut down. That is what happened when the Democratic government came in here some years ago and canceled the reciprocity treaty with Cuba.

Mr. GAINES. Is it your contention that in order to keep peace in Cuba we must do something here in our tariff schedule that will make the agricultural laborer in Cuba more prosperous than similar labor is in the United States?

Mr. ATKINS. My contention is this, that the United States has assumed the control of the island of Cuba, the guardianship of the island of Cuba, and it has had to give certain pledges, if not moral pledges, to the world, and if the United States does not do something to keep the financial condition of Cuba in a fair state she will not be fulfilling her duty. It is not necessary to legislate for the special protection of the Cuban industry. What I want is that the United States shall reduce or lower its tariff bars here to a reasonable extent, so that Cuba will not be crowded out. If Cuba had any other market in the world that argument would not hold good, but if you will allow me to refer to a little memorandum I have, I will read it. The United States takes all the Cuban sugar crops. As I told you, the United States production has been very rapidly increasing—722,000 tons in the last ten years, the domestic crop—and there is hardly room now for any sugar outside of Cuba's to enter into the consumption of the United States.

Now, to show that there is no place where Cuba can market her crops other than here, I give you these figures. Here are the crops of the various European countries. I will only give you the excess. Germany produced in excess of 919,000 tons; France, 68,000 tons; Austria, 877,000 tons; Holland and Belgium together, 299,000 tons. For Russia there are no accurate statistics available, but it is estimated to be about 400,000 tons excess. The balance of Europe, that is, Sweden, Denmark, Italy, Spain, and so forth, produced about enough between them to offset their consumption. Now, continental Europe has an excess of 2,500,000 tons for export. She can not send them to the United States. Java produces 1,156,000 tons. There is

Digitized by Google

3,719,000 tons in producing countries that have to find a market. England can take about 1,800,000 tons. They are supplied by European continental countries and from her own colonies. She can not take a pound from Cuba. The United States can take but 300,000 or 400,000 tons from all this excess outside of Cuba. The balance of this supply must find market in the Far Eastern countries, including Japan. To secure these markets new factories are now being erected in Manchuria, Japan, Formosa, and South Africa.

1908.

	Germany.	France.	Austria.	Holland and Belgium.	Russia.	Balance Europe.
Crops	2,127,000	728,000	1,425,000	407,000	1,410,000	435,000
Consumption twelve months to September 1	1,208,000	660,000	548,000	208,000	1,000,000	435,000
Excess over consumption	919,000	68,000	877,000	299,000	400,000	None.

Excess over consumption:

	Tons.
Germany	919,000
France	68,000
Austria	877,000
Holland and Belgium	299,000
Russia	400,000
	2,563,000
Sweden, Denmark, Italy, Spain, } Jointly produce their requirements.	
Java	1,156,000
	3,719,000

Great Britain takes 1,832,000 tons, which are supplied from above countries and from her colonies. The United States can take but 300,000 to 400,000 tons from all countries, outside of Cuba, and balance supply must find markets in the far eastern countries, including Japan; to secure these markets new factories are now being erected in Manchuria, Japan, and Formosa; factories are also being constructed in South Africa.

Cuba can market no sugar outside of the United States, as Canada accords a preferential duty to British colonial sugar.

Every country in the world is at work to-day to produce its own requirements of sugar and prevent sugar from coming in from any other country; every country, I may say, except Great Britain; and in the case of Cuba, in regard to marketing her crop, on which her welfare depends, she is so placed that she can send it only to the United States.

The CHAIRMAN. Mr. Atkins, have you substantially the same sugar plantation there now in Cuba that you had twenty-five years ago?

Mr. ATKINS. It is much larger now.

The CHAIRMAN. When did you enlarge it?

Mr. ATKINS. Some years ago. I had possession of some 4,000 acres under a mortgage, and now I have 22,000 acres. The output is increased in proportion.

The CHAIRMAN. Will you tell the committee what the profits were last year on your crops?

Mr. ATKINS. I beg your pardon. I have no objection to whispering it to the chairman of the committee [laughter], but I would not

Digitized by Google

like to have that put in print for the benefit of my competitors here. [Laughter.] I hope you will allow me to speak in average terms.

The CHAIRMAN. If you desire to state it privately to the chairman, the chairman will be glad to hear it; but if not, I will ask you, Mr. Atkins, how the profits compare for the five years under reciprocity and the five years preceding?

Mr. ATKINS. I could not tell you without referring to my data. The profits I do not think would be very different in my own case. They vary very much, indeed, nearly 300 per cent. In a year when there was a short crop in Europe the price advanced to a high point. Sometimes I have made short sales when the market declined.

The CHAIRMAN. You do not think there is much difference under reciprocity for five years and before reciprocity for five years?

Mr. ATKINS. Not much.

The CHAIRMAN. Is it not true that in the five years of reciprocity the world's price has been very low?

Mr. ATKINS. Yes; but not so low as it was previously.

The CHAIRMAN. Not below the five years previous to reciprocity?

Mr. ATKINS. Until the date of the Brussels Convention—I must again call on our statistician, Mr. Willett—Mr. Willett, when was the bounty abolished in Europe, in the Brussels Convention? In what year?

Mr. WILLETT. In 1903.

Mr. ATKINS. Yes. Previous to that the prices were very low. After the Brussels Convention, when the governments of Europe agreed to abolish their bounties, they curtailed their crops, and they had a bad year, and prices advanced for one year, and then they declined again.

The CHAIRMAN. You say now that the price averaged higher in the world's market for five years than for the five years previous?

Mr. ATKINS. I would not want to make that statement without my records, and they do not go back to that date. I know that before that convention was in force I at one time sold sugars as low as 1⅜ cents, cost and freight. I think at one time the price touched 1¼ cents. But those were artificial conditions, Mr. Chairman; entirely artificial conditions.

The CHAIRMAN. I think you are mistaken on the average price, but it may be that we have not the right figures. I asked you a few moments ago, and you said that you thought the differential of 34 cents should be retained on refined sugar.

Mr. ATKINS. I beg your pardon; not refined sugar. I said "on Cuban sugar." On Cuban sugar Cuba gets here differential of 34 cents a hundred pounds.

The CHAIRMAN. Oh, you meant differential on Cuban sugar, and not on refined sugar?

Mr. ATKINS. Yes. If the question had been asked me in regard to refined sugar I should have answered in this way, that the protection on refined sugar of one-eighth of a cent a pound ought to be retained, in my opinion. It amounts to about 5 per cent ad valorem on foreign cost of refined sugar. It is so very small that no reasonable party could advocate the removal of the duty on refined sugar.

The CHAIRMAN. Or the reduction of it?

Mr. ATKINS. Twelve and one-half cents you can not reduce very much without abolishing it.

Digitized by Google

The CHAIRMAN. You could reduce 12½ cents.

Mr. ATKINS. But what would you gain by it? There is nothing to be gained.

The CHAIRMAN. You do not regard that as excessive protection?

Mr. ATKINS. No, sir; 5 per cent I do not regard as excessive protection, but I do regard 65½ per cent as excessive protection. That is the protection that the domestic producers of raw sugar get.

The CHAIRMAN. That protection on refined sugar is prohibitive, is it not?

Mr. ATKINS. It is not prohibitive.

The CHAIRMAN. Comparatively speaking, it is prohibitive, is it not?

Mr. ATKINS. No, sir. It regulates the price of refined sugar coming in from Germany here. Refined sugar would come in every now and again and pay that duty were it not for the differential accorded to Cuba on raw sugar. The refiners are buying their raw sugars, say, at 35 cents below the parity of the raw sugars imported from Germany, and that is what protects them more than anything else against the importation of German granulated. If you raise the parity of centrifugal sugars in New York, you bring that protection down to 12½ cents on granulated sugar. Before this reciprocity treaty was negotiated we used to get German granulated sugars every little while. It was enough to regulate the price. The refiner in New York could not advance his price beyond the parity of German granulated.

The CHAIRMAN. And he was not compelled to lower it?

Mr. ATKINS. No; he did not need to.

The CHAIRMAN. I understood you to say that now the consumer is getting the benefit of this differential on Cuban sugars.

Mr. ATKINS. Yes, sir.

The CHAIRMAN. Entirely?

Mr. ATKINS. I would not say entirely, because there are times when sugars rise to within a quarter of a cent a pound of the parity, but on the market the Cuban seller gives away—according to the statement you will see here, if you will look it over carefully—gives away that differential. The reduction of the price of raw sugar here reduces the price of granulated, and the consequence is that the consumer gets his sugar at 34 cents or 40 cents, or whatever the difference may be, cheaper than he would otherwise get it.

The CHAIRMAN. And during the remaining four months, when this sugar is not coming in from Cuba and the beet sugar is not being marketed in the United States, the price goes up?

Mr. ATKINS. The foreign sugars will not come to New York for less than they can get in London.

The CHAIRMAN. Production has greatly increased under reciprocity, has it not?

Mr. ATKINS. Yes. But before the insurrection occurred in 1895 Cuba produced 1,040,000 tons of sugar.

The CHAIRMAN. They are going beyond that?

Mr. ATKINS. Yes. They produced the year before last 1,400,000 tons, last year 950,000 tons.

The CHAIRMAN. Reciprocity has had something to do with it?

Mr. ATKINS. Undoubtedly. Without reciprocity I doubt if Cuba could produce at a profit at all.

Mr. FORDNEY. Mr. Atkins, may I ask you one more question, please?

Digitized by Google

Mr. ATKINS. Yes; but I would ask you that you do not exclude the other gentlemen here, for they have something to say.

Mr. FORDNEY. Thank you. I have considerable to say, and I will be as brief as possible. In your statement of your cost of production in Cuba you take into consideration the depreciation and the interest on the plant?

Mr. ATKINS. No interest on the plant, but the depreciation, based on actual cost of maintenance and repairs account, paid out in cash every year.

Mr. FORDNEY. The statement of the beet sugar men does not take into account the depreciation or interest on the investment?

Mr. ATKINS. No. That would advance the cost. I think any outlay in the way of repairs or the replacement of old machinery by new should be included. They include that, as every good manufacturer should in the working expenses of the year. That is the custom of the refiners, and it is the custom of all our up-to-date manufacturers.

Mr. FORDNEY. Mr. Atkins, it is true also that when there is a war on, on price, when the price of raw sugar in the New York market fluctuates, the refiners are benefited by the reduction of prices, whereas it is a fact that the beet sugar manufacturers have no such change, because they secure their raw material under contract which can not be and is not changed at any time?

Mr. ATKINS. Will you allow me to qualify that statement a little? The refiner is not benefited by it. They buy their sugar at the lower price, but they drop the price of refined sugar according to what they pay for the raw sugar. If the business was in the hands of the American Sugar Refining Company, or the trust, they could in a measure control that; but three-eighths of the refining business is done outside of the American Sugar Refining Company. They are subject to sharp competition. Fortunately for us who are selling sugars, if one does not drop the price of refined sugar the other one does.

Mr. FORDNEY. But they are benefited to this extent, that by getting their raw material for less money they can control the market, or undersell the beet sugar men, who enjoy no change in the price of raw material?

Mr. ATKINS. That goes without saying. They can not drop the price of granulated below the cost of raw sugar plus the cost of refining; but the beet sugar people can reduce to any extent almost, their margin of protection is so large.

Mr. FORDNEY. When they only make 29 cents a hundred pounds they have not very much leeway to go down on the price, have they?

Mr. ATKINS. When the Colorado manufacturers are selling in Chicago one-half of a cent a pound below Denver, the point of origin, it would seem to be an indication that there is a margin of profit there.

Mr. FORDNEY. Mr. Atkins, you stated that Cuban reciprocity—that is, the reduction of 20 per cent in the rate of duty—did not personally benefit the producers in Cuba, and that the prices to-day are practically as they were before.

Mr. ATKINS. I did not say practically the same, but considering the basis of value. The value fluctuates, you know.

Mr. FORDNEY. But at all events your profits are about the same?

Mr. ATKINS. In a general way.

Digitized by Google

Mr. FORDNEY. It did, however, give you a monopoly of the American markets on raws as against our foreign imported raw sugar?

Mr. ATKINS. Exactly, in that way. If it were not for the possibility of underselling foreign shippers in the New York market the Cuban industry could not be maintained to-day.

Mr. FORDNEY. But any further reduction in duties, if the beet sugar men are correct in their statement, would not only give you a monopoly of the American market against other countries of the world, but against the domestic producer also, would it not?

Mr. ATKINS. It would give us just that advantage, just that much, but I question the statement that has been made of the cost of the American sugars.

Mr. FORDNEY. Well, a very good lot of fellows in my district——

Mr. ATKINS. Let me say right there that some of the best fellows in the crowd have not come here at all; some that are right up to date. And one of the men in charge of the beet sugar houses in Colorado, Utah, and Idaho is the leading authority in the United States, but he is not here; he could give you information.

Mr. FORDNEY. Oh. Mr. Boetcher is here, one of the heaviest producers in Colorado and I hope to hear from him.

Mr. ATKINS. I hope you will.

Mr. FORDNEY. I think he will bear out the statement made by the other gentleman from Michigan.

Mr. ATKINS. I hope somebody will ask him whether he figures on the cost of the sugar at the price the manufacturer pays the farmers for the beet.

Mr. FORDNEY. If he is an intelligent fellow he will tell you that the cost of production is based upon the cost to him.

Mr. ATKINS. Well, I think he will give his answer in such a way that most of you will not understand it.

Mr. BOUTELL. There has been some mention of Cuban insurrection, or revolution, as a factor that we ought to consider in adjusting our United States tariff. Did you ever see a Cuban revolution at short range?

Mr. ATKINS. Well, along about 1896, I spent a great deal of time on my place, and I never went to sleep without a revolver under my pillow, and I kept a guard at my door at night. There was a rifle on my bed very much of the time, and I was frequently called out at any hour of the night under an alarm.

Mr. BOUTELL. So that you know about the volatility of the laboring classes there?

Mr. ATKINS. Having lived with them for many years, and being so thoroughly acquainted with them, having employed several thousand men, I know something about the character of these men; but I like them, I like the Cuban character, for it is a very attractive character; but they are not the same as our people, and they will never be.

Mr. BOUTELL. So all your conclusions are based upon absolutely first-hand information?

Mr. ATKINS. First hand.

Mr. BOUTELL. Now, if this further reduction that you contend for should be made, would it, in your opinion, decrease the price of sugar, granulated sugar, to the ultimate consumer? I do not know that I can describe the ultimate consumer in any better way than to say the

Digitized by Google

man who eats the sugar. I want to know whether a man can buy sugar cheaper?

Mr. ATKINS. If the Cuban and our domestic production nearly equal the consumption, the restriction will be to the benefit of the consumer; that is, to the benefit of the consumer almost entirely. Whatever the first reduction might be, the Cuban or the other producers would get a little, but the cost of production plus the duty——

Mr. BOUTELL. We have already heard in these hearings of several instances of decrease from the present rates, by reciprocity or otherwise, where there has been absolutely no decrease in the cost to what I call the ultimate consumer, the man who buys the article, and it has not appeared fully in these hearings who in this instance was the beneficiary. It would be interesting if we could find out how to make some change in the tariff which would benefit the man who eats the sugar.

Mr. ATKINS. The consumer in this country is paying all of the tariff, excepting in a few instances where temporary arrangements are made, and the producer gives you part of his profit. But, generally speaking, the consumer pays all of the tariff on sugar. Now, that would not hold good on some other articles where the percentage of the production in the United States is a small one. The sugar that comes in from abroad is in larger proportion. If sugars were entirely free in the United States under the present conditions of supply of the United States, and if Cuba were the supplying country, the prices would probably drop down to the actual cost, or nearly so, and the consumer would get the benefit. But I do not think that a duty then would have any more effect than a duty on cotton.

Mr. BOUTELL. If I recollect the figures given in these sugar hearings, they show that notwithstanding free sugar from Porto Rico and the concession made to Cuba, affecting imports of several hundred thousand tons, there still has been no decrease in the price to the ultimate consumer.

Mr. ATKINS. They lose sight of the fact that the whole sugar market of the world is ruled by the first prices; the tariffs of the world, the bounties paid by certain countries, temporarily set the tide from one side to the other, raising the price temporarily in that particular country; but the world's price of sugar, the German price, as it is quoted, for example, in Hamburg or in the London market, regulates the price in the United States as well as in all other parts of the world. A short crop in continental Europe will advance the price of sugar in Cuba, and a short crop in Cuba will advance the price of sugar in other countries.

Mr. BOUTELL. Now, let me ask you this practical question: Can you suggest any change in the sugar schedules of the present tariff which would not interfere seriously with our present income of, say, $60,000,000 a year and at the same time give sugar to the ultimate consumer at a cheaper price?

Mr. ATKINS. Well, you can't have your cake and eat it, too. I want to call the attention of the committee to this, that the revenue from sugar is not $60,000,000 a year. I think it was $60,000,000 in 1907 because of the high price and the very large amount of sugar entered in the United States just at the end of the fiscal year. But the revenue from sugar, under present conditions, I think the tariff ex-

Digitized by Google

perts in Washington would tell you, would probably be about $52,000,000, not any more than that. Last year it was $50,000,000. But a reduction of half a cent a pound, in my opinion, allowing for the increase in consumption of 1909 over 1907, would cause a reduction of revenue of about $15,000,000, but after that the revenue would steadily increase. That is a bit of opinion perhaps that I am not called upon to offer, because you have statisticians in Washington so much more competent to figure that out than I am.

The CHAIRMAN. If we took the duty off of sugar coming into the United States, could you sell sugar from Cuba in competition with the German sugar?

Mr. ATKINS. Not under present conditions. I could a few years ago, but my cost now in Cuba has increased about 25 per cent. It would seriously interfere with us; very seriously.

The CHAIRMAN. And would probably operate in the same way with the cane sugar and the beet sugar in the United States. They could not exist under those conditions, could they?

Mr. ATKINS. If you took all the duty off—no; I do not think they could.

The CHAIRMAN. And if so, and the sugar came out of the world's market, after a while the price of it would go up, would it not?

Mr. ATKINS. Yes. You must consider that continental Europe is not prepared to immediately supply the world.

The CHAIRMAN. They could after a while, but not at once?

Mr. ATKINS. And, of course, that supply would naturally decrease the price; but I think the question of the abolition of duties in the United States is not one to be considered, one that I have not heard seriously urged by anybody.

The CHAIRMAN. There are a class of people who think that because the trust refines the sugar, that the duty should be taken off of refined sugar. Of course, that ultimately would mean the taking off of the duty on sugar entirely.

Mr. ATKINS. The question was asked yesterday, what effect it would have to increase the duty on raw sugar and take it off of refined sugar. It seems to me that an action of that kind, where you place the duty on the raw material and take it off the manufactured material, would simply be to throw the trade abroad, to import the manufactured article instead of the raw material.

Mr. CLARK. But how could that be? That would cost the German man who imported his sugar in here just as much as it is costing now, would it not? If you took the differential off, if you took this tariff off of refined sugar and put it on raw sugar, then it would cost the German importer, or whoever it was—the foreign importer—as much to get his sugar in here as it does now, would it not? Five cents on raw sugar and 5 cents on refined sugar is practically the same.

Mr. ATKINS. Twelve and one-half cents. A man could not import the raw material.

Mr. CLARK. Not if he put it on raw sugar. Twelve and one-half cents is 12½ cents, no matter where it is put.

The CHAIRMAN. I do not believe the stenographer is able to hear all of Mr. Atkins's replies.

Mr. ATKINS. But 12½ cents taken off of refined sugar and added to raw sugar would be 25 cents.

Digitized by Google

Mr. CLARK. But how much would it put sugar down to the man who eats it?

Mr. ATKINS. About a half cent a pound.[a]

Mr. CLARK. Are you sure the sugar trust would not gobble the half cent?

Mr. ATKINS. Well, I am sure that if he could gobble it I would join him. If they held those sugars for four or five or six months, they would get more for it, and distribute it more evenly. But they do not hold it, and probably they are very wise not to do it, because it would not give them enough to pay for the cost of doing it. The pressure of sugar on the market is more rapid than the refiner can take care of. If the refiner has to carry that stock, then he is going to take sugar at the lowest possible price, and if he is offered twice as much sugar as he can refine, he is going to buy from the lowest seller.

Mr. CLARK. But the statement was made absolutely and unequivocally that the American Sugar Refining Company fixes the price of raw sugar that it buys, and fixes the price of refined sugar when it is sold. Now, if that is true, then the taking off of whatever you want taken off would not do the man who eats the sugar one particle of good.

Mr. ATKINS. But the Cuban and the Louisiana crop are very different things.

Mr. CLARK. If the American Sugar Refining Trust Company, popularly called, does fix the price of raw sugar, as he said, then it fixes the price of your raw sugar. If it fixes the price of refined sugar which is made out of the raw sugar from Louisiana, then it fixes the price of refined sugar made out of raw sugar from Cuba. Now, his statement is either true or not true—one or the other. What we are trying to get at—that is, what I suppose Mr. Boutell was trying to get at, and I know it is what I am trying to find out also—is this: Would the taking this off simply do you good, or would it do the bulk of the people good? If it is not going to do the bulk of the people good, I do not care a straw whether it is taken off or not.

Mr. ATKINS. I think that if a man can purchase goods at a lower price, that he should have the benefit——

Mr. CLARK. If he doesn't fix the market price, but if he is in a position to fix the market price at which he buys, and in a position to fix the market price at which he sells, there ought to be some way to stop that. I am talking about what a man has to pay for the sugar that he uses.

Mr. ATKINS. If the supply is regulated through the demand, he would have to pay what the sellers demand or shut up his refinery. Those people, if they refined their sugar, would send it up and distribute it throughout the country in competition with the other refined sugar.

Mr. CLARK. But that is precisely what he said he couldn't do.

Mr. ATKINS. Why?

Mr. CLARK. Because the American Sugar Refining Company, if that is the name of it—well, Mr. Colcock took Vicksburg as a point of illustration, and said that if the Louisiana men undertook to refine their own sugar they could not sell it even in Vicksburg in competition with the American sugar trust, because the sugar trust would send its sugar in there and sell it so low that it would

[a] Question regarding Louisiana sugar omitted.

Digitized by Google

put them out of business, and then, as soon as it had them shut out, it would mark the sugar up again and recoup itself.

Mr. ATKINS. I never heard of that theory. There are some very able men here, and I am sure that the American Sugar Refining Company has to compete with those other sellers. The general way is to buy those Louisiana sugars and ship them by sea to New York. I maintain that the only trouble with the Louisiana sugars declining below New York is the pressure, the excess of supply over demand.

Mr. POU. Did the concession that the United States made to Cuba have any effect at all on the price of sugar to the ultimate consumer?

Mr. ATKINS. Undoubtedly, and that is what I am trying to get settled in regard to this schedule. If you study it over, I think that point will be clear to you.

Mr. UNDERWOOD. In other words, the price since the concession was made has gradually gone down to the consumer?

Mr. ATKINS. The consumer is getting the benefit of it and nobody else.

Mr. POU. You contend that if there is a reduction of a half cent a pound, that the ultimate consumer will get the benefit of all of that half cent?

Mr. ATKINS. He will under present conditions, ultimately; not immediately, but ultimately.

Mr. POU. If that is done, then a man can go into any good store and buy sugar at a half a cent a pound cheaper than he can get it without that reduction?

Mr. ATKINS. I am not speaking of the retail grocery trade, because you may buy it at one store at one price and at another price at another store. I mean the people of the United States could obtain sugars just that much cheaper.

Mr. POU. If you can not get it from the retail grocer, then you can not get it at all.

Mr. ATKINS. I mean that there is no fixed price between the retail grocers if they get a customer. That is, they will make him pay more than another man would pay if they can. You can not base your calculations upon the retail grocery trade, but if you want to buy sugar in 100-barrel lots or 20-barrel lots, then you will get the benefit of it.

Mr. NEEDHAM. To what extent have refining interests in the United States invested in sugar lands in Cuba? It is reported that there have been large investments.

Mr. ATKINS. I do not think that the refining interests in the United States have large investments in Cuba, but certain individuals have invested there.

Mr. NEEDHAM. Do you know what the acreage is?

Mr. ATKINS. I do not remember.

Mr. FORDNEY. Who are the refining companies that compete for raw sugars on the New York market? You spoke of there being competition; that prices went down at times.

Mr. ATKINS. Arbuckle Brothers are very large refiners, and I think they have a capacity of something like 8,000 barrels a day. Then there is the Federal Refinery; Mr. Spreckels is here present. I do not know what their capacity is, but it is very large. Then there is the National, represented by Mr. Post, or Mr. Post's man. There

Digitized by Google

are three large companies. In New York there is another new company started which they call the Warner Company.

Mr. FORDNEY. What percentage of refined sugar is made by the American Sugar Refining Company?

Mr. ATKINS. I understand about five-eighths.

The following paper was submitted by Mr. Atkins:

TARIFF RELATIONS WITH CUBA—ACTUAL AND DESIRABLE.

By EDWIN F. ATKINS, *of E. Atkins & Co., Boston, Mass.*

[Reprinted from the Annals of the American Academy of Political and Social Science, September, 1908.]

Cuba's political disturbances have in the past followed economic conditions that have caused discontent and encouraged revolution. Such was the case in the ten-year insurrection and again in the insurrection of 1895, which preceded the Spanish-American war.

Previous to 1868 the tariff laws for Cuba were framed with the object of giving its trade to Spain, and for this purpose four different rates of duty were enforced, the first and lowest rate being upon Spanish merchandise in Spanish vessels, the second rate upon Spanish merchandise in foreign vessels, the third rate upon foreign merchandise in Spanish vessels, and the fourth rate upon foreign merchandise in foreign vessels. A duty was in force in Spain against Cuban sugar as a protection for the cane sugar produced in its southern provinces.

As long as the European countries were dependent upon the West Indies for the greater part of their sugar supply, and Cuba was producing with slave labor and had the buyers of Europe competing with those of the United States for her sugar, little attention was given to the fact that all legislation at Madrid was for the benefit of the mother country and that nothing was being done with a view to holding foreign markets for the island.

As years passed the continental countries of Europe all became producers of beet sugar and levied heavy duties against foreign imports, thus closing their markets to Cuba, and as soon as their production exceeded their consumption requirements export bounties were paid, which enabled them to sell free-trade England at prices a good deal below cost of production. Cuba could then no longer compete there, and so became dependent upon the United States, where, fortunately for her, a countervailing duty, in addition to the regular tariff, had been enforced against those countries paying an export bounty.

With the gradual abolition of slavery in Cuba, 1866–1880, her cost of production had greatly increased, while, by reason of the growth of the beet sugar industry, values had been cut in two. Spain through all these changes held blindly to her course of protecting her home trade, regardless of the interests of Cuba, and the inevitable result was the long and disastrous insurrection, 1868–1878, which brought financial ruin to so many of the sugar estates of the island.

During this period the United States, up to 1884, was almost as negligent of her foreign trade interests as was Spain of the interests of Cuba. When the change came from wooden to iron ships and

Digitized by Google

from sailing to steam vessels, England was prompt, not only to furnish tramp steamers for the transportation of Cuba's sugar crop to the United States, but with English capital she built and operated under the Spanish flag steamers which carried both Spanish and English merchandise to Cuba, taking advantage of the first and third columns of the Spanish tariff for Cuba, from which American merchandise was debarred, for the United States contented herself by imposing an additional duty of 10 per cent upon Cuban and Porto Rican merchandise in Spanish vessels. This provision was applied by the United States as late as 1874 upon a cargo of molasses imported by a Spanish schooner. In 1884 these discriminating duties were abolished by agreement with Spain. But we had for many years the singular spectacle of English-built Spanish steamers, operated largely by English capital, running from English and Spanish ports and supplying Cuba with the many articles of need which should have gone from the United States, including flour from American wheat, which was shipped from New York to Santander under the British flag and thence to Habana as Spanish flour. These same Spanish steamers came in ballast to our southern ports to load cotton back to Europe.

All this was allowed for years in the name of protection to American industries and American shipping, and at a time when, through radical changes in the commerce of the world, we were every year taking a larger proportion of Cuban exports and paying through New York, by remittance of exchange, to Spain, England, Germany, and France, in settlement for merchandise with which they were supplying Cuba.

In 1890 the McKinley tariff bill was passed, and by what was known as the Aldrich amendment power was conferred upon the President of the United States to negotiate treaties of reciprocity which would admit sugar free of duty from such countries as would make concessions in their tariffs upon American merchandise. Under the power so conferred a treaty of reciprocity was negotiated with Spain, and afterwards similar treaties were made with the principal sugar-producing countries of the world, and the United States tariff upon sugar was practically abolished; so our exports to Cuba rapidly increased, the cost of food supplies in Cuba was greatly reduced, and the island entered upon a period of prosperity such as it had not known for many years. This lasted until the year 1895, when the second insurrection occurred.

In 1894 the change from a Republican to a Democratic administration at Washington was followed by the passage of the Wilson tariff bill, which again placed a duty upon sugar, canceled the reciprocity treaties, and brought a return to the Spanish tariff rates in Cuba. Prices of sugar declined, while the cost of living increased; confidence was destroyed through such conditions, together with a threatened insurrection, and as the estates finished their crops in the spring of 1895, all work on the plantations ceased, and the thousands of laborers suddenly thrown out of employment and unable to gain a livelihood took to the woods and joined the ranks of the insurgents. The destruction of property, the loss to commerce, and the reduction of Cuba's sugar crop from 1,040,000 to 230,000 tons, with the Spanish-American war which followed in 1898, are now matters of history. In 1897 the Dingley tariff bill was passed, by which 96 test

Digitized by Google

sugar paid 1.68½ cents per pound, about double the rate under the Wilson bill.

Following our war with Spain and the taking over of her colonies came a radical change in our trade relations with Cuba through the reciprocity treaty, which took effect December 27, 1903. By this treaty Cuban sugar enters the United States at 20 per cent less duty than is charged upon other foreign sugar under the existing Dingley rates, or in round figures 1.35 cents per pound against 1.69 cents, the full rate on ninety-six test sugar, and Cuba concedes to the United States a reduction ranging from 20 to 40 per cent from her regular tariff rates charged to other countries.

When this treaty took effect the serious competition between European beet and Cuban sugars in the United States ceased. Under the Brussels agreement all government bounties, except those of Russia, were abolished, and the continental countries took steps to restrict their production to their consumption. England could no longer supply her requirements below cost of production, and began drawing upon her own colonies and Java, and these sugars, paying a higher rate of duty in the United States than Cuban sugars paid, were diverted to England and to the eastern countries as long as Cuba could supply our markets.

The first effect of the reciprocity treaty with Cuba was, as expected, to give that country the greater part of the differential duty and largely to divert her orders for supplies from Europe to the United States; but as an effect of changing the sugar tariffs of practically the entire commercial world, and the subsequent diversion of commerce to its more natural channels, combined with a poor agricultural season in Europe, crops were reduced and prices temporarily rose in 1905. This stimulated production in all cane sugar countries, including Cuba, and large crops and lower prices in 1907 were the consequence.

Cuba, after the Spanish-American war, and under the stimulus of the reciprocity treaty, gradually recovered from the effects of the insurrection, but it was not until 1904 that her sugar crop again equaled that of 1895, preceding the second insurrection.

In tracing sugar legislation for the last forty years we get an illustration of how the tide of commerce has been changed and diverted from one channel to another by the raising and lowering of tariffs and by payments of bounties, at times bringing great temporary prosperity, and again sweeping away all barriers in seeking its natural outlet.

As has been stated, the first effect of the present reciprocity treaty was to give the greater part of the differential, amounting to roundly one-third of a cent per pound, to the Cuban producers, but as our domestic production and the Cuban crop increased, the New York duty-paid price dropped, and during the period when the bulk of the Cuban crop is marketed (January to June) prices fell so far below the parity of Europe as to transfer the benefit of the differential to the consumers in the United States, so that in effect, while the reciprocity treaty in 1907 gave the United States markets for raw sugar to Cuba, as against other foreign competitors, by allowing her to undersell them, the island received but little pecuniary benefit from the differential accorded to her, and it still had to pay 1.35 cents per pound against the free sugar from our western beets, and

Digitized by Google

the caned sugars of Louisiana, Porto Rico, and Hawaii, which sources were supplying nearly half of our annual requirements and forcing sales at the time of the heaviest receipts of Cuba sugars.

While United States control has, upon the whole, greatly benefited Cuba, and both General Wood and Governor Magoon are entitled to every credit for their administration of affairs, this relation has not been without its advantages. When the Cuban reciprocity treaty was under discussion at Washington every effort was made by special interests to reduce the proposed differential on sugar to the lowest possible figure, and fearing the competition for our domestic sugar through cheaper Cuban labor, our "contract labor law," the "Chinese exclusion act," and our immigration law were all put in force in the island by General Wood, through directions from Washington, and afterwards made permanent by the joint resolution of Congress known as the "Platt amendment." This action has effectually prevented Cuba from getting an adequate supply of labor to harvest her increasing crops, and the average wage of the agricultural laborer throughout the year is now quite as high as that paid in the United States. Figures from the pay rolls of a well-known Cuban plantation show an increase in cost of labor between July, 1902, and July, 1906, of over 40 per cent, and an increase in the harvest season months of March, 1903 and 1907, of 33 per cent. With United States control came the labor agitator from the North and the formation of labor unions under his direction. This has led to a succession of strikes from trivial cause, many of which have had most disastrous consequences.

In providing by treaty for the exports of the United States, duties in Cuba were so adjusted as to give the trade to this country by differential duties ranging from 20 to 40 per cent. Under this provision our exports to Cuba have shown a most satisfactory growth, and from an insignificant amount under Spanish tariffs they reached the value of $51,300,000 out of a total of $104,400,000 imports for the twelve months ending December 31, nearly 50 per cent of the total. That the percentage was not greater was largely due to the high values prevailing in the United States, owing to control of prices of so many commodities by combinations, and to higher freight rates from the United States than from Europe, due to similar control of steamship lines.

Cuba has unquestionably benefited through United States control, first by securing a market for her sugars, when all others were closed to her, and, secondly, by the maintenance of order through the presence of United States troops during all but four years of the time which has elapsed since our war with Spain in 1898. Millions of foreign capital have been invested in Cuban sugar, tobacco, and cattle industries, in the building of railroads, the establishment of banks, and other important enterprises. But both the consumers and producers in the United States have also benefited, the first through the lowering of the tariff rate on Cuban sugar, the second by an increased foreign market for their goods.

The political overturn in Cuba in August, 1906, with the threatened destruction of foreign property, forced the United States to again intervene by authority conferred by both governments under the Platt amendment to the Senate army appropriation bill of February 25, 1902, afterwards ratified by the Cuban Congress. This

Digitized by Google

insurrection, which was fortunately checked before much destruction had been accomplished, stopped all agricultural work at a critical period and destroyed confidence, so that very little planting was done for the crop of 1908, and these conditions, followed by a severe drought during the next summer, reduced the sugar crop of 1908 to 925,000 tons against 1,420,000 tons the previous year.

In the early spring of the present year it was announced from Washington that the United States troops would be withdrawn not later than February 1, 1909; further credit was then refused to the planters, imports fell off, and general stagnation followed. These are the conditions prevailing to-day, for there are very few people connected with the business of the island, even among the Cubans themselves, who believe the country is yet prepared for an unrestricted independent government, free from United States control in some form.

The subject of tariff revision will soon be under discussion at Washington. The treaty of reciprocity with Cuba, which went into effect on December 27, 1903, was for five years from that date (to December 27, 1908), "and from year to year thereafter until the expiration of one year from the day when either contracting party shall give notice to terminate."

Already a movement is suggested on the part of our beet sugar producers to prevent any reduction in the sugar schedule and if possible to terminate this treaty. These interests claim that, given a high protection, domestic sugar should, within a few years, supply our consumption at a saving of some eighty million dollars, now sent abroad in payment for imported sugars. They ignored the fact that the greater part of these imports are paid for, not in cash, but in merchandise, the product of our factories, mines, and farms, over fifty millions of which now goes to Cuba alone.

Another argument against reduced duties is that the United States can not spare any of its revenue from sugar; a glance at the following figures will show the effect upon revenue, of the marked increase in domestic production:

Consumption, supply, and revenue from sugar—ten years.

[Sugar given in gross tons.]

Year.	Consumption.	Free sugar supply.	Cuban crop.	Other countries, bal. requirements.	Revenue to June 30.
1898	2,003,000	556,000	[a] 230,000	1,217,000	[b] $29,504,000
1899	2,078,000	537,000	345,000	1,196,000	61,596,000
1900	2,220,000	478,000	308,000	1,434,000	57,741,000
1901	2,372,000	698,000	635,000	1,039,000	63,040,000
1902	2,566,000	876,000	850,000	840,000	53,033,000
1903	2,550,000	971,000	999,000	580,000	63,630,000
1904	2,767,000	881,000	1,040,000	846,000	58,152,000
1905	2,632,000	1,070,000	1,163,000	399,000	51,439,000
1906	2,864,000	1,177,000	1,179,000	508,000	52,645,000
1907	2,994,000	1,278,000	1,428,000	288,000	[c] 60,334,000
Increase since 1902	428,000	402,000	575,000		

[a] Spanish-American war.
[b] Revenue effected by change in tariff August, 1907.
[c] Temporary increase from heavy Cuban importations previous to June 30.

NOTES.—Sugar statistics are for calendar years; revenue for fiscal years; figures of consumption and crops from Willett & Gray's reports.

The revenue from sugar and molasses for year ending June 30, 1908, was $50,106,000.

Digitized by Google

During the ten-year period above given the consumption of the United States increased 991,000 tons, the average annual increase being slightly under 5 per cent; during the same period the supply of free sugar increased 722,000 tons, the Cuban crop 1,198,000, while our requirements from all other countries have decreased 929,000 tons, and the revenue under the Dingley tariff has (if we except the year 1907) not increased since 1899, but has rather diminished in face of the steady increase of consumption.

Following these figures to a logical conclusion, and barring partial crop failures, such as occurred in Cuba the present year, when the crop is reduced to 925,000, the present tariff rate would first shut out sugars from all foreign countries, other than those from Cuba, then check, and afterwards reduce, the Cuban production, for the reason that sugar paying a duty of 1.35 cents per pound can not compete with that paying no duty.

The revenue from sugar under the present tariff has apparently reached and passed its maximum point, and any increase in tariff rates would soon decrease it by artificially stimulating the domestic production for which consumers are already paying some one hundred million dollars annually, but little more than half of which reaches the United States Treasury.

Under the treaty of Paris, 1898, and the provision of the Platt amendment, 1902, the United States first made themselves responsible for and afterwards assumed the right to protect life and property in Cuba. In case of further trouble following the contemplated withdrawal of United States troops, either we must return promptly or so far abandon the Monroe doctrine as to permit the landing of troops by the European governments for the protection of their citizens whose interests there are large and steadily increasing.

While the present differential duty of 0.34 cent per pound has proved sufficient to protect Cuba in the United States markets against the lower cost of sugars of Europe and Java, she can not long compete with our domestic sugars against the duty she is now paying of 1.35 cents per pound. As long as the island is prosperous and under some form of United States control, a republican government may be maintained; but should her great sugar industry be made unprofitable, either by cancellation of the treaty or by long continuance of the present high duty against her sugar, revolution, fed by her unemployed, is sure to result in the future, as it has under similar circumstances in the past. Revolution would be followed by a third and final occupation by the United States, by annexation, and finally by abolition of all duties. Whether such a condition is desirable in the near future, either for the United States or for Cuba, is open to grave doubt, but no government in any form, other than one of military force, can be maintained unless the people are given a "square deal" and allowed to benefit through their own industry.

To put the sugar industry of Cuba upon a sound basis does not require the removal of duties here, or such drastic measures as would prevent a fair and just return to our beet sugar and other producers upon their invested capital. But these interests are no longer dependent upon the present high Dingley rates—a liberal reduction can now be made in our sugar schedules; and by continuing the present differential of 34 cents per 100 pounds, our large and increasing export trade to the island can be held, through maintaining its leading industry in a sound and healthy condition.

Digitized by Google

Will our domestic producers allow such reduction, or will they, by pursuing the former policy of Spain, risk all, and bring about the very conditions of free trade which they are so anxious to avoid?

STATEMENT MADE BY CLAUS A. SPRECKELS, OF 138 FRONT STREET, NEW YORK CITY, REPRESENTING THE FEDERAL SUGAR REFINING COMPANY.

TUESDAY, *November 17, 1908.*

Mr. SPRECKELS. Mr. Chairman and gentlemen of the committee, I appear before your committee as the president of the Federal Sugar Refining Company of New York, an entirely independent concern, with no direct or indirect affiliations, understanding, or agreement of any kind whatsoever with the sugar trust, and in order that you may understand my exact position and know that I am asking for no favors, would state that I would be perfectly satisfied if you should finally decide to agree upon free trade in both raw and refined sugars. I would, of course, appreciate and think we are entitled to a moderate protection on refined sugars, but would prefer absolute free trade to the present schedule, under which the sugar trust is the principal beneficiary and enabled to exact special privileges and conditions on sugars produced in Louisiana and the Hawaiian Islands.

It is evident that the country desires a revision of the tariff, and expects a reduction of duties whenever it can be shown to be reasonable, feasible, and advantageous. Personally, I take no stock in the old and threadbare theory that the duty on sugar can not be abolished on account of the Government requiring the revenue, and have full confidence that your committee and the Senate Finance Committee can, after your years of experience, raise the necessary revenue from other sources.

As far as the production of the domestic sugar is concerned I claim that beet sugar factories located in proper localities, such as Colorado, California, Utah, Idaho, and Oregon, should, and I am informed, can produce granulated sugar at 2½ cents per pound. Of course, if it be the purpose of this Government to impose a tariff which will enable the production of articles in unsuitable localities at the expense of the American public, then an import duty is necessary and will always have to be maintained.

As far as Louisiana is concerned, I contend that the sugar trust is in a position to seize at its discretion a large share, if not all, of the benefit of the protection granted.

As far as our colonies are concerned, they to-day are able to produce sugars in competition with the rest of the world.

Under the circumstances, I believe the sooner our Government reduces and gradually wipes out entirely the duty on sugar the better it will be for the country and all concerned. Of course bearing in mind that the differential afforded refiners should be reduced in proportion to the reduction in duties on raw sugar.

The CHAIRMAN. I understand that what you recommend is that sugars be absolutely free, excepting refined sugar?

Mr. SPRECKELS. No; both.

The CHAIRMAN. That is, all on the free list?

Digitized by Google

Mr. SPRECKELS. If you take it off of raw, take it off of refined.

The CHAIRMAN. And you think the result of that would be that the beet sugar factories east of the Rocky Mountains could not exist in proper localities?

Mr. SPRECKELS. They are not in their proper localities. If you want to raise beet sugar in Florida, or cane sugar in Michigan, put a tariff of 5 cents a pound on it, but those are unnatural conditions.

The CHAIRMAN. They could not raise cane sugar in Michigan if you put 50 cents a pound duty on it. What effect would that have on the Louisiana cane sugar; it would put them out of business, would it not?

Mr. SPRECKELS. I am not so certain about that. They sold their sugars last year on practically the basis of 80 cents per hundred pounds protection.

The CHAIRMAN. And you propose to take it off?

Mr. SPRECKELS. But the tariff is 1.68½.

The CHAIRMAN. You propose to take it all off.

Mr. SPRECKELS. I do not know but what they can produce it when on the free list, but I have no evidence of that.

The CHAIRMAN. You are not putting it on the ground of what you know, but what you do not know. You say that you do not know but what they could produce it?

Mr. SPRECKELS. I do not think that it requires all the protection that exists to-day.

The CHAIRMAN. Well, Mr. Spreckels, if you take the differential off refined sugar by making all the sugar free, why can not you take the differential off of refined sugar when there is a tariff on raw sugar, making the same tariff on the sugar after refining, according to the degree of purity that there is on 96° test?

Mr. SPRECKELS. When sugar is selling at 4 cents a pound—take, for example, 96 test sugar will produce about 93 pounds granulated sugar out of a hundred, therefore there is a loss of 7 per cent; 7 pounds out of every hundred pounds is lost.

The CHAIRMAN. After you have made up that loss, what reason is there for any more differential?

Mr. SPRECKELS. If you will allow me to explain, I will proceed. The loss of 4 cents would amount to 28 cents, and if that same sugar is selling at 2 cents a pound the loss is only 14 cents. We do not require that differential, because we do not lose that extra 14 cents.

The CHAIRMAN. You could stand the loss on sugar at 2 cents a pound on refining, but you can not stand the loss on sugar at 4 cents a pound in refining?

Mr. SPRECKELS. That is correct.

The CHAIRMAN. So that the only differential required for refined sugar would be to make up the difference between 2 and 4 cents a pound on a loss?

Mr. SPRECKELS. That is correct.

The CHAIRMAN. Which would be 4 cents on the hundred pounds?

Mr. SPRECKELS. No; that would be 14 cents.

The CHAIRMAN. How many pounds would you lose?

Mr. SPRECKELS. Seven pounds.

The CHAIRMAN. Oh, 7 pounds. Well, that would be 14 cents. Then the 14 cents would be sufficient differential on refined sugar over 96 test?

Digitized by Google

Mr. SPRECKELS. Plenty.

The CHAIRMAN. No matter what the duty is on raw sugar?

Mr. SPRECKELS. Oh, no. If you put a duty on of 10 cents, you lose 7 per cent of duty.

The CHAIRMAN. We have protection now at 4 cents a pound—that is, duty-paid sugar?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And you say that 14 cents would be sufficient to cover it—that is, the difference between the 2 cents and the 4 cents?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. That would cover the difference on refined sugar?

Mr. SPRECKELS. It would.

The CHAIRMAN. What proportion of sugar used in this country do you refine at your refineries?

Mr. SPRECKELS. I must think for a moment as to that.

The CHAIRMAN. Approximately; I do not care about the exact figures.

Mr. SPRECKELS. Of the total consumption of the United States?

The CHAIRMAN. Yes; what percentage of the total consumption?

Mr. SPRECKELS. About 12½ per cent.

The CHAIRMAN. And you have been in the refining business——

Mr. SPRECKELS. Let me say that I made an error there; it is not quite that much. About 9 per cent, I should say.

The CHAIRMAN. You have been in the refining business a good many years?

Mr. SPRECKELS. Thirty-three years.

The CHAIRMAN. Of whom do you purchase your raw sugars? What raw sugar is it, Cuban or Louisiana?

Mr. SPRECKELS. We unfortunately can not get any of the Louisiana sugar; we tried it last year.

The CHAIRMAN. Where do you buy it?

Mr. SPRECKELS. We buy of Java, Cuba, Porto Rico. We do not buy Hawaiian or Louisiana sugar.

The CHAIRMAN. You can not get the Hawaiian sugar?

Mr. SPRECKELS. They are under contract with the trust to deliver their sugars at three-eighths of a cent a pound less than the basis of the Cuban tariff, therefore they only have a protection of 1 cent a pound there.

The CHAIRMAN. And at what prices do you buy the Cuban sugar as compared with the Hamburg price, laid down in New York?

Mr. SPRECKELS. It varies considerably from time to time. Sometimes it pays as much, sometimes less, than the European sugar.

The CHAIRMAN. When the Cuban crop and the Louisiana crop all come in together, as they do in the winter time, they get less than they do when the crops are not coming in?

Mr. SPRECKELS. Not always.

The CHAIRMAN. Do you not generally? Is not that the general trend of the market?

Mr. SPRECKELS. I am not certain about that.

The CHAIRMAN. How much below the world's price do you get it at any time—the extreme price?

Mr. SPRECKELS. You have reference to the Cuban sugar?

The CHAIRMAN. The Cuban sugar; yes.

Mr. SPRECKELS. We get the full benefit of the reduction of the tariff, about 35 cents a hundred pounds.

Digitized by Google

The CHAIRMAN. And at some time, I understand you to say, you pay the full price of the world's market for Cuban sugar. The great bulk of the Cuban sugar comes in here at a discount below the world's price?

Mr. SPRECKELS. The great bulk does; yes.

The CHAIRMAN. And that price that you pay is the market price in New York, of course; and who fixes that?

Mr. SPRECKELS. Supply and demand.

The CHAIRMAN. Well, supply and demand, of course; but the world's market has something to do with it. Does the price at which the American Sugar Refining Company buys it have anything to do with it?

Mr. SPRECKELS. No more than if I buy it. It is a question of supply and demand.

The CHAIRMAN. But if there is keen competition?

Mr. SPRECKELS. There is no competition.

The CHAIRMAN. You all want it, the American Sugar Refining Company wants it, and, of course, the price is paid.

Mr. SPRECKELS. Correct.

The CHAIRMAN. And if the sellers are more numerous and the quantity of sugar is larger in the market, you get it below that. And, of course, you all buy it as cheaply as you can, and the seller sells it for the best price he can get?

Mr. SPRECKELS. Quite true.

Mr. UNDERWOOD. You are in the sugar-refining business, are you not?

Mr. SPRECKELS. Yes, sir.

Mr. UNDERWOOD. You are familiar with the business and have been in it thirty years?

Mr. SPRECKELS. I am.

Mr. UNDERWOOD. I would like to ask you as to whether there is any margin of profit to the manufacturer on refined sugar between the differential and the loss in weight on sugar by reason of its being refined?

Mr. SPRECKELS. Not always. For example, you take sugar laid down from Hamburg to-day. It can be imported for $4.70 per hundred. Our price to-day is $4.55 per hundred. That is our price.

Mr. UNDERWOOD. How much does the differential to the refiner amount to?

Mr. SPRECKELS. Twelve and one-half cents per hundred.

Mr. UNDERWOOD. Does it take that entire 12½ cents to cover the loss to the manufacturer to-day and the shrinkage in his material by reason of the refining.

Mr. SPRECKELS. Approximately; yes, sir. It will vary from 10 to 15 points. The average would be, say, 12½ cents.

Mr. UNDERWOOD. Then you say that there is no profit to the refiner due to the differential?

Mr. SPRECKELS. No, sir.

Mr. UNDERWOOD. What effect would there be upon the business of the refiners of this country if we reduce the tax on sugar one-half a cent a pound?

Mr. SPRECKELS. I think it would be a great benefit to it, stimulate the trade, stimulate other trades, such as the canning of fruit and preserves; for example, England is the greatest consuming country

Digitized by Google

for sugar per capita in the world. Their consumption per capita is nearly 100 pounds, while in this country it is only 80 pounds. We all know, or think we do, that the English people do not actually consume that sugar. They do not eat as many sweetmeats as the American probably, but they export that to their colonies and to foreign countries in the shape of marmalades, jellies, jams, and all sorts of preserves. England does not raise those fruits, but we do. If we have cheaper sugar our fruit can be exported in the shape of these marmalades, jellies, and jams.

Mr. UNDERWOOD. The present prices that the American Sugar Refining Company pays the Louisiana people and the Hawaiian people is at least one-half a cent under the European cost with the tariff added, is it not; the Hamburg price with the tariff added?

Mr. SPRECKELS. A little more than one-half a cent—about 0.68 of a cent.

Mr. UNDERWOOD. Then, so far as protection for the Hawaiian and Louisiana planter is concerned and the present price that he is selling sugar for, he would be fully protected by a tariff reduced one-half a cent, would he not?

Mr. SPRECKELS. Yes.

Mr. UNDERWOOD. He is selling sugar now at half a cent below the Hamburg price with the duty added. Therefore, if we reduce it one-half a cent, the Louisiana and the Hawaiian sugar producers would have a protection that would amount to more than what their selling price is to-day; that is, the duty added to the foreign price would amount to more than what their selling price is to-day, and the planter would receive the same protection that he does to-day.

Mr. SPRECKELS. He could receive the same price.

Mr. UNDERWOOD. How far into the interior can you go to meet the beet-sugar trade in competition, when they are putting their sugars on the market?

Mr. SPRECKLES. That varies. We go to Chicago, and as far as the Mississippi River, but they ship as far as Pittsburg, and sometimes into the interior of New York State. Buyers for certain reasons will not take beet sugar, and the beet sugar is selling for a less price. Many people do not know the difference; yet there is a difference. For example, for preserving. The beet sugars, as produced in this country, are not fit for that, because they are semi-refined; they do not pass it over boneblack.

Mr. UNDERWOOD. So that they can not be used for those purposes?

Mr. SPRECKELS. Not to the same advantage.

Mr. UNDERWOOD. You say that the territory beyond the Mississippi River, then, is within the zone that the beet-sugar man controls for his own market?

Mr. SPRECKELS. It is.

Mr. UNDERWOOD. And the zone between Pittsburg and the Mississippi River both contend for?

Mr. SPRECKELS. Yes.

Mr. UNDERWOOD. And you control the zone east of Pittsburg?

Mr. SPRECKELS. Practically.

Mr. UNDERWOOD. Therefore to the extent that the manufacturer of sugar in Colorado, Idaho, and California—that territory that you say is adapted to that purpose—is concerned, the freight rates would

Digitized by Google

protect them to the extent of one-half a cent reduction on the tariff, would it not?

Mr. SPRECKELS. I think a little more than that. The freight rates from that country and the western coast enable them to sell for from a cent to a cent and a half per pound more than the eastern man.

Mr. POU. If Congress should finally pass an act reducing the present duties on sugar a half a cent a pound, would or would not that, in your opinion, make sugar cheaper to the ultimate consumer?

Mr. SPRECKELS. I think it would.

Mr. POU. You think he would feel the benefit of the half-cent reduction?

Mr. SPRECKELS. I do.

Mr. BOUTELL. Right in that connection and along that line, to whom does the Federal Sugar Refining Company sell its refined product—what class of purchasers?

Mr. SPRECKELS. The wholesale grocers.

Mr. BOUTELL. For example, what customers have you in Chicago, if you do not mind telling?

Mr. SPRECKELS. All the wholesale grocers, and there are dozens of them there.

Mr. BOUTELL. I understand—that is, your customers are all one class, wholesalers, or jobbers, and you do not sell to retailers?

Mr. SPRECKELS. We do not.

Mr. BOUTELL. Is there any contract or agreement between your refinery and the jobbers as to the prices at which they shall sell to the retailers?

Mr. SPRECKELS. Absolutely none.

Mr. BOUTELL. Do you know whether there is any such means among other refiners in exacting contracts from their jobbers?

Mr. SPRECKELS. There has been, I believe, but it has been abolished.

Mr. BOUTELL. In continuing the sale of this product down to the man who eats the sugar, do you know whether there is any exaction by any of these jobbers of the retailers as to the limitations of price?

Mr. SPRECKELS. No, sir.

Mr. BOUTELL. You stated in your first paragraph that the Federal Sugar Refining Company had no agreement or understanding of any kind whatever with the so-called trust?

Mr. SPRECKELS. Yes, sir.

Mr. BOUTELL. Have you any understanding or agreement with reference to prices with any other refinery?

Mr. SPRECKELS. Absolutely none.

Mr. BOUTELL. Absolutely independent?

Mr. SPRECKELS. Absolutely independent.

Mr. BOUTELL. If I gather your meaning from the way in which you stated it, it was to the effect that, aside from your business, as a citizen and a taxpayer, you would have no objection to having absolute free trade in both the raw and refined sugar?

Mr. SPRECKELS. Yes, sir.

Mr. BOUTELL. You expressed the opinion that this $50,000,000 or $60,000,000 revenue derived from sugar could readily be raised. Speaking in round numbers, our income from duties on imports is about $300,000,000 a year, and the $60,000,000 from sugar would be one-fifth of the entire national income from duties on imports. Have

Digitized by Google

you thought at all, not as a sugar man, but as a taxpayer, of any method of raising this $60,000,000?

Mr. SPRECKELS. I have, many times. I suggest that you have something right in this room. You have chairs, I see, that are imported from Vienna, and you could put a tax on those.

Mr. BOUTELL. But are they not now taxed? I think the North Carolina and Michigan furniture men have looked to that.

Mr. SPRECKELS. You have not taxed it enough; but that is merely an object lesson in this room; but you can put the tax on tea or coffee.

Mr. BOUTELL. How much would a tax of 5 cents a pound on coffee amount to?

Mr. SPRECKELS. I could not say, but I think there are people in this room who could tell. I do not know how much coffee is consumed.

Mr. BOUTELL. Your general idea, as I grasp it, is—not going into details—that in taking the duty off of refined sugar and reducing the income to the extent of $60,000,000 you would raise that by other duties?

Mr. SPRECKELS. By other duties.

Mr. RANDELL. How about an income tax?

Mr. SPRECKELS. That is quite agreeable to me.

Mr. RANDELL. Did you say that if the tax is reduced half a cent a pound that the Louisiana cane sugar growers could maintain their present prices?

Mr. SPRECKELS. Yes, sir; because they are giving more than that away to-day.

Mr. RANDELL. I understood you to say, in answer to the gentleman from North Carolina, that if this reduction was made it would ultimately go to the consumer. What I want to know is this: If the consumer gets the reduction and the producer of sugar gets the same prices, how do you reconcile those two statements? How can one get as much for the production of sugar and the consumer pay less.

Mr. SPRECKELS. Are you talking about free trade?

Mr. RANDELL. No, sir.

Mr. SPRECKELS. Talking about a reduction?

Mr. RANDELL. I understood you to say that if the tariff is reduced one-half cent a pound that the producer of raw sugars can maintain the same prices that he now gets. You stated that, if I did not misunderstand you.

Mr. SPRECKELS. I am not speaking of the Louisiana producer particularly.

Mr. RANDELL. Now, I want to understand this statement. If this reduction of a half a cent a pound was made, could the producer of raw sugar maintain the same prices he is getting now?

Mr. SPRECKELS. I think he could.

Mr. RANDELL. What I wanted to know was, how can the producer get the same price and the consumer get the sugar for half a cent a pound less? That is a question in mathematics that I can not solve.

Mr. SPRECKELS. The consumer would get it by reason of the lower duties on the eastern coast; for example, we are not buying Louisiana sugars.

Mr. RANDELL. I know; but how can the producer get it, and the consumer get the benefit of it, too?

Digitized by Google

Mr. SPRECKELS. The consumer will get it from the importations from foreign countries. Louisiana does not produce all the sugar that is consumed in this country.

Mr. RANDELL. And how would it affect the revenue?

Mr. SPRECKELS. I am not speaking of the revenue.

Mr. RANDELL. Would not the Government get half a cent less on sugar imported from Cuba and other countries, on the raw sugar? And yet according to your statement the producer of sugar in this country would get no higher and no less price.

Mr. SPRECKELS. The producer would not. The producer does not produce all the sugar which is consumed in the United States. That is my answer to that.

Mr. RANDELL. Then, which statement do you adhere to?

Mr. SPRECKELS. Both.

Mr. RANDELL. That the consumer will get that half cent, or the producer get it?

Mr. SPRECKELS. Both of them would get it.

Mr. BOUTELL. One question here, and it is suggested by this last question of Mr. Randell's, and that is, that where you, in the manufacturing trade, speak of a consumer—and I infer this from what Mr. Atkins said—you would mean, for example, the jobber, the wholesaler; in other words, you do not recognize laws of commerce or trade which inevitably and automatically affect the price at which a retailer shall sell to his retail customers?

Mr. SPRECKELS. No, sir.

Mr. BOUTELL. So that in all these discussions the word "consumer," that is, reducing the price of material to the "consumer," means the price at which the manufacturer puts it out to the jobber or wholesaler?

Mr. SPRECKELS. Quite right.

Mr. BOUTELL. And the effect of the price at which the wholesaler sells to the retailer, or the retailer sells to the country or city customer, is something which is not taken into consideration.

Mr. UNDERWOOD. Then if there is a wholesale grocers' association in the country which might be called a trust, this question can not regulate it; that would have to be regulated in another way?

Mr. SPRECKELS. Yes.

Mr. UNDERWOOD. It comes back to the proposition in which you stated that Louisiana and Hawaiian sugar producers would receive the same amount by a reduction of a half a cent, and yet there would be a reduction to the consumer, due to the fact that the foreign sugar coming into the market would fix the price to the consumer, and the refiners to-day are paying more than a half a cent under the European market price, with the tariff added—that is the reason both propositions are true?

Mr. SPRECKELS. That is the idea.

Mr. CLARK. What is the reason that they do not refine sugar where it is made?

Mr. SPRECKELS. Because it is not profitable to refine it. You must bring it to a central place.

Mr. CLARK. New York is no more central than New Orleans, is it?

Mr. SPRECKELS. They can not refine it profitably; that has been demonstrated time and again.

Mr. CLARK. What has been demonstrated?

Digitized by Google

Mr. SPRECKELS. It has been demonstrated in Hawaii.

Mr. CLARK. That you can not refine it on a plantation?

Mr. SPRECKELS. Yes, sir; it has been demonstrated that it is not profitable to refine it on a plantation.

Mr. CLARK. Why isn't is as profitable to refine it at San Francisco, St. Louis, New Orleans, or Chicago as it is to refine it in New York?

Mr. SPRECKELS. I do not think you understand me, sir. I say it is unprofitable to refine it. I suppose you have in mind the refining of the sugar on the plantations in Cuba?

Mr. CLARK. I didn't have any idea of its being refined on a plantation, especially. I understand that, in a general way, of course, the refinery is an expensive institution, but why they can not have it refined at some place accessible to the sources of production of raw sugar I can not see.

Mr. SPRECKELS. They can, and they do have.

Mr. CLARK. I can not understand why it can not be refined easier there than to ship it to New York. What is the sense of sending everything to New York in the first instance, and then bringing it back again?

Mr. SPRECKELS. There is absolutely no sense in it.

Mr. CLARK. But that is what they do, is it not?

Mr. SPRECKELS. No, sir; they do not. They refine it in Louisiana. The American Sugar Refining Company, the so-called trust, has a refinery there now, and they are building a new one.

Mr. CLARK. You have one?

Mr. SPRECKELS. No, sir; we have not; we only have in New York.

Mr. CLARK. Where is your refinery?

Mr. SPRECKELS. At Yonkers, N. Y.

Mr. CLARK. That is what I say, and that is where you get your Cuban sugar. Do you get Louisiana or Texas sugar?

Mr. SPRECKELS. No, sir.

Mr. CLARK. And you do not get Hawaiian sugar?

Mr. SPRECKELS. No, sir; none.

Mr. CLARK. What is the proportion of sugar, if you know, that is produced in Louisiana, and is refined in Louisiana?

Mr. SPRECKELS. Seventy-five per cent.

Mr. CLARK. Is there any sugar refined in the Sandwich Islands?

Mr. SPRECKELS. There is one refinery there.

Mr. CLARK. Some years ago there was a great deal of sugar refining at San Francisco, was there not?

Mr. SPRECKELS. There is to-day; there are two refineries there.

Mr. CLARK. Do they refine as much sugar in San Francisco now as they did twenty or twenty-five years ago?

Mr. SPRECKELS. Just about the same.

Mr. CLARK. Why do they not refine it in the Sandwich Islands, where they produce it?

Mr. SPRECKELS. Because, as I say, they can not refine it there profitably on a plantation.

Mr. CLARK. Why can not they?

Mr. SPRECKELS. That is a matter that would take more time than I could use to answer. The fact is that the planters themselves have a refinery. When they could not agree with the so-called "trust" upon the sale of sugar, they established a refinery themselves in San Francisco rather than to put the refinery on a plantation. They shipped

Digitized by Google

the raw product to San Francisco, because the greater the production the less cost per unit. Now, you can not go on a plantation and make 5,000 tons of sugar (which you may have to make in a week) and make it profitably.

Mr CLARK. I understand that, but I can not understand why they do not have one or two places in the Sandwich Islands where they produce so much sugar.

Mr. SPRECKELS. They have one refinery in Honolulu, Hawaiian Islands, but it has not proved a success.

Mr. CLARK. That is largely the fault of the management then. isn't it?

Mr. SPRECKELS. No; but the locality.

Mr. CLARK. You do not know anything about the profits of the corner grocery man who sells sugar, do you?

Mr. SPRECKELS. I do not think he makes any profit.

Mr. CLARK. That is just exactly what I was going to get at. Isn't it true that nearly all of the grocery men, and practically all of them in the United States, make sugar what they call a "leader," and that they sell refined sugar at perhaps as small a profit as any article that they carry?

Mr. SPRECKELS. That is true.

Mr. CLARK. So that practically the retail dealers of the United States make nothing out of it, and that all of the profit goes to the producer of raw sugar, the refineries, the wholesalers, and the jobbers?

Mr. SPRECKELS. That is right.

Mr. FORDNEY. You spoke about canning and preserving fruits. Isn't it true, under the existing law, that 99 per cent of the duty paid on sugar and put into fruits in their preparations to be shipped abroad can be gotten back as the drawback?

Mr. SPRECKELS. Yes.

Mr. FORDNEY. Then free sugar, for that purpose, would not in any way aid the production of that article in the preserving of fruits to be shipped abroad?

Mr. SPRECKELS. I think it would.

Mr. FORDNEY. To the extent of 1 per cent only.

Mr. SPRECKELS. No; more than that. It costs them more originally for the sugar, and the capital invested, if he buys it for 2 or 5 cents a pound; there is quite a difference in the investment, the first cost.

Mr. FORDNEY. One per cent on the drawback is not of any consequence?

Mr. SPRECKELS. I should say it was.

Mr. FORDNEY. Or 99 per cent of it. If 1 per cent was wiped out it would greatly stimulate the exportation of fruits abroad, would it not?

Mr. SPRECKELS. It would stimulate it to that extent only.

Mr. FORDNEY. I understand you, in answer to a question put by the chairman, to say that there was no competition on raw sugars in the New York market.

Mr. SPRECKELS. I did not say that; you misunderstood me.

The CHAIRMAN. I did not understand him to say that. I understood him to say that they did it as cheaply as the American Sugar Refining Company.

Digitized by Google

Mr. FORDNEY. As a refiner, do you think that the American consumer and the manufacturer would be benefited by free sugar instead of duty-paid sugar?

Mr. SPRECKELS. I do, decidedly.

Mr. FORDNEY. Do you think that the domestic production of sugar could exist under free trade?

Mr. SPRECKELS. If properly located; yes, sir.

Mr. FORDNEY. Where would it have to be located—in New York?

Mr. SPRECKELS. No; I would locate it in California or Colorado. You have heard the testimony of yesterday, that they moved the factories from Michigan into Colorado.

Mr. FORDNEY. The freight from Colorado to the seaboard is less than $1 a hundred?

Mr. SPRECKELS. They do not send it to the seaboard; they have a local market.

Mr. FORDNEY. If they should send it to the seaboard, the freight would be less than $1, while the duty is 1.68½?

Mr. SPRECKELS. I do not think I quite understand what you mean.

Mr. FORDNEY. You are in favor of the abolition of duty on sugar. Would not the refineries be the greatest beneficiaries of such a change of law?

Mr. SPRECKELS. I do not think they would be benefited any more, except by the increased consumption.

Mr. FORDNEY. You stated a while ago that the sugar trust, or the individuals of that concern, were benefited by the tariff.

Mr. SPRECKELS. I did.

Mr. FORDNEY. Then you are benefited, because you are a heavy stockholder in the American Sugar Refining Company.

Mr. SPRECKELS. I am a "has been." I am no longer a stockholder in that concern.

Mr. FORDNEY. I remember that it was stated a year ago that you were one of the heaviest stockholders.

Mr. SPRECKELS. I was, but I am no longer a stockholder.

Mr. FORDNEY. According to the statement of the sugar beet men, the abolition of the duties on sugar would be destructive to them. It would be absolutely ruinous to their interests, would it not, if they are correct in their statements?

Mr. SPRECKELS. If you say the Michigan people; yes. That is true, according to the testimony which you have heard. I think, however, there is other testimony that you have not heard. The people who produce sugar at 2½ cents a pound are not coming here to tell you that they want a reduction.

Mr. FORDNEY. I never knew of any one who wanted a reduction.

Mr. SPRECKELS. I want all I can get. If you keep on you will be encouraging the production of sugar in Alaska, because it pays so well.

Mr. FORDNEY. Don't you think it would be better for us to produce all the sugar in the United States that we need, rather than to buy it from the foreigner, and, by producing it ourselves, to give American people employment?

Mr. SPRECKELS. Yes; if you raise the sugar in the proper climate. Sugar should be grown in tropical climates. About 25 per cent of all of the beet sugar is raised by, and the fields are cultivated by, Asiatic labor.

Digitized by Google

Mr. FORDNEY. The cane sugar?

Mr. SPRECKELS. No, sir; the beet sugar. Twenty-five per cent of all of the beets raised in the beet fields of this country is cultivated by Asiatic labor.

Mr. FORDNEY. Unless the consumer would receive the benefit of the reduction of the duty, it would not be wise to change, would it?

Mr. SPRECKELS. But the consumer would receive the benefit of it.

Mr. FORDNEY. He did not receive it in the case of the Cuban reciprocity, did he?

Mr. SPRECKELS. I think that at times he did and at times he did not.

Mr. FORDNEY. Well, give us the difference between the "did" and the "did not."

Mr. SPRECKELS. Well, I will answer the question by saying that what I mean is that sometimes we got the full benefit of the Cuban tariff and sometimes we did not. When we got the full differentials the public got it.

Mr. CRUMPACKER. I would like to know why it is that the Louisiana sugar raisers sell their product to the sugar trust at a lower rate than the cost of foreign sugar.

Mr. SPRECKELS. I do not know, but I suppose it is because they love them so.

Mr. CRUMPACKER. Do the Louisiana sugar growers decline to sell to your refinery at all?

Mr. SPRECKELS. They do.

Mr. CRUMPACKER. Even though you were willing to pay the current rate?

Mr. SPRECKELS. Yes, sir.

Mr. CRUMPACKER. And possibly even pay more than those rates?

Mr. SPRECKELS. I am sorry to say that that is true. I wanted to bring a photograph of a steamer for which we were only able to obtain one-third cargo, although we held her at her berth in New Orleans during the height of the sugar season. We were willing to give a little above the current rate, but we were unable to secure those sugars against the trust, although offering prompt cash.

Mr. CRUMPACKER. What are the relations between the Louisiana sugar growers and the trust?

Mr. SPRECKELS. I could not say. The relations of the trust are very extensive.

Mr. CRUMPACKER. How are those sugars sold?

Mr. SPRECKELS. They are sold in the open market.

Mr. CRUMPACKER. And they would not sell to your refinery, even though you offered more than the trust?

Mr. SPRECKELS. They would not.

Mr. CRUMPACKER. Is that same thing true respecting the Hawaiian sugars?

Mr. SPRECKELS. It is.

Mr. CRUMPACKER. Do you have a contract with the Hawaiian sugar growers?

Mr. SPRECKELS. We have none. For the past three years the trust has contracted at three-eighths of a cent a pound less than the New York price.

Mr. CRUMPACKER. Have you tried to break into their market?

Mr. SPRECKELS. I have. I tried to trade with them, but I could not.

Digitized by Google

Mr. CRUMPACKER. Are the stockholders of the so-called sugar trust interested in growing cane sugar?

Mr. SPRECKELS. Not as a company.

Mr. CRUMPACKER. Are the individual stockholders so interested?

Mr. SPRECKELS. I believe they are.

Mr. CRUMPACKER. They are interested in sugar growing in Hawaii and in Louisiana?

Mr. SPRECKELS. Yes, sir.

Mr. CRUMPACKER. You are not aware of any business reasons why the Louisiana sugar grower should refuse to sell to your company at the same rate or at better rates than they sell their product to the trust?

Mr. SPRECKELS. No, sir.

Mr. CRUMPACKER. You stated that the sugar trust practically absorbed all of the differential that is granted by reciprocity to the growers in Cuba. How does it manage to absorb that differential?

Mr. SPRECKELS. I do not think it requires any special management. When the crop comes on to the market it comes on too rapidly—that is, it comes too much at a time. It is regulated by supply and demand, as I stated before, but the Cuban planter wants to sell and is anxious to realize, and so much so that he is willing to take off the differential.

Mr. CRUMPACKER. Why don't you get the benefit of that?

Mr. SPRECKELS. We do.

Mr. CRUMPACKER. You get your percentage of the differential?

Mr. SPRECKELS. We do.

Mr. CRUMPACKER. So that at periods when there are importations from Cuba the price of sugar goes down, and in order to make a quick sale they will let it go at these prices?

Mr. SPRECKELS. Oh, yes; they will knock off that differential, and sometimes a little more.

Mr. CRUMPACKER. So that the American Sugar Refining Company in that respect operates as a speculator?

Mr. SPRECKELS. Precisely.

Mr. FORDNEY. You stated a moment ago that you would be able to refine if the differential on refined sugar was cut down to 14 cents per hundred.

Mr. SPRECKELS. If the tariff be taken off raw sugar, I am willing that the tariff on the refined shall be taken off also.

Mr. FORDNEY. I understood you to say that it would be $1.68½ per hundred on bulk or raw sugar coming into this country?

Mr. SPRECKELS. Yes, sir.

Mr. FORDNEY. And on refined it would be $1.95 per hundred, leaving the differential 26½ cents between the raw and the refined sugar?

Mr. SPRECKELS. Yes, sir.

Mr. FORDNEY. And the loss on refining would be equivalent to about 14 cents per hundred?

Mr. SPRECKELS. It is somewhat more than that. Assuming it is 4 cents a pound, that would be 28 cents per hundred pounds. If the price be 2 cents per pound, it would be one-half of that, or 14 cents.

Mr. FORDNEY. Assuming it is 14 cents per hundred, there would be a margin of 12½ cents per hundred pounds to pay the cost of refining. On the basis of 2 cents, it gives that much advantage over the foreigner?

Mr. SPRECKELS. Yes, sir.

Digitized by Google

Mr. FORDNEY. If the sugar costs 2 cents and the loss on refining is 28 cents, they would lose only 1½ cents.

Mr. SPRECKELS. We have been figuring on 12½ cents. You are dealing with 96 per cent sugar.

Mr. FORDNEY. I want to know how you work out that 12½ cents differential. There is only a difference between the raw and the refined sugars of 25 cents, and the difference for that must be compensated for in the price of the refined sugar. At 2 cents it is 14 cents and at 4 cents it is 28 cents, and that would leave only 1½ cents.

Mr. SPRECKELS. The duty is on sugar which is 100 per cent pure sugar, and it is $1.82½; that is, provided it is below 16, Dutch standard, as to whiteness. The difference between $1.82½ and $1.95 for the white is exactly 12½ cents. We deal with pure sugars.

Mr. CRUMPACKER. The mathematical difference between $1.68½ and $1.95 is 26½ cents. We have been informed that there is a cost or waste of 14 cents per hundred in refining. Taking that from the 26 cents leaves 12½ cents as the real differential or benefit or protection to the refiner.

Mr. SPRECKELS. That is the condition to-day.

Mr. CRUMPACKER. What would you say about taking off the 12½ cents and fixing the differential large enough to cover the waste in refining?

Mr. SPRECKELS. If the duty be taken off, and the price of sugar is 2 cents instead of 4 cents, it should be proportionately less.

Mr. CRUMPACKER. Yes.

Mr. SPRECKELS. It would be 7 per cent on 4 cents a pound sugars and 7 per cent on 2 cents a pound sugars. The difference is 14 cents. If the sugar is only 1 cent a pound, the loss is only 7 cents per 100 pounds of sugar.

Mr. CRUMPACKER. My idea is that the law be amended so as to cover the loss in the cost of refining, whatever it may be. That would put the American refiner upon the same footing as the foreign refiner.

Mr. SPRECKELS. I think he is entitled to some protection, for this reason——

Mr. CRUMPACKER. Let us hear your reason.

Mr. SPRECKELS. To cover the difference in the cost of labor.

Mr. FORDNEY. How about the sugar producer: Is he not entitled to some protection?

Mr. SPRECKELS. He is entitled to protection enough to cover the difference in the cost of labor.

Mr. CRUMPACKER. I want to know if the American Sugar Refining Company is at a disadvantage in refining as compared with the foreign refiner.

Mr. SPRECKELS. They are not.

Mr. CRUMPACKER. Are we refining sugar as cheaply as they are refining it in foreign countries?

Mr. SPRECKELS. Yes, sir.

Mr. CRUMPACKER. Then you do not need any aid in that direction?

Mr. SPRECKELS. We will take it if we can get it.

Mr. CRUMPACKER. That is an important concession. I am glad that you made it.

Mr. SPRECKELS. We do not need it.

Mr. CLARK. Do we export large quantities of preserved fruit?

Digitized by Google

Mr. SPRECKELS. No, sir.

Mr. CLARK. Mr. Fordney asked you a question about the saving to these people. These people get drawbacks, but usually they are the larger manufacturers, whereas the smaller ones do not?

Mr. SPRECKELS. The smaller ones would not be benefited.

Mr. CLARK. In that transaction we import the sugar, whereas the foreigner imports both the fruit and the sugar?

Mr. SPRECKELS. Yes, sir.

Mr. CLARK. The foreigner would not be in any better fix because he imports the fruit?

Mr. SPRECKELS. No, sir.

Mr. FORDNEY. Not if he pays labor the same?

Mr. SPRECKELS. No, sir.

Mr. NEEDHAM. Has your company invested in any sugar lands in Cuba?

Mr. SPRECKELS. No, sir.

Mr. NEEDHAM. Have your stockholders?

Mr. SPRECKELS. As an individual, I am so interested.

Mr. NEEDHAM. Are you largely interested as an individual in Cuba sugar lands?

Mr. SPRECKELS. No, sir; only in a small way.

Mr. NEEDHAM. What was the purpose of this investment down there?

Mr. SPRECKELS. It was a gamble; it was a speculation——

Mr. NEEDHAM. You hope for the annexation of Cuba?

Mr. SPRECKELS. Precisely. That is why I bought it.

Mr. NEEDHAM. Have not the sugar people generally throughout the country invested in the sugar lands in Cuba within the last few years?

Mr. SPRECKELS. Not as refiners.

Mr. NEEDHAM. Have not the refiners of the United States done so?

Mr. SPRECKELS. I can only speak for myself. I do not know what the others have done.

Mr. BOUTELL. In reference to the purchase of lands in Cuba, you stopped short in one of your answers, and I think you intended to say that you expected soon to do something. What was it?

Mr. SPRECKELS. I was going to say that I expect very soon to see annexation with Cuba.

Mr. BOUTELL. From your acquaintance, or as a matter of competent knowledge, how many other investors have made investments in Cuba on a similar basis?

Mr. SPRECKELS. That I can not say. I do not know. There have been some others who have thought just like I did.

Mr. BOUTELL. You would say there had been some others?

Mr. SPRECKELS. I would say so. I suppose they think as I do.

Mr. BOUTELL. The wish is usually father to the thought, so that in the case of Cuban annexation you take it for granted that similar methods have stimulated or fostered the acquirement of those sugar lands?

Mr. SPRECKELS. That is quite true.

Mr. CLARK. The reason that Louisiana produces raw sugar is because Louisiana is properly located climatically?

Mr. SPRECKELS. Yes, sir; partially, and if economically worked; but some of the best sugar factories are not properly located. They should take their mills and move them to some other place.

Digitized by Google

STATEMENT OF G. W. SWINK, OF ROCKY FORD, COLO., REPRESENTING THE RAISERS OF SUGAR BEETS.

TUESDAY, *November 17, 1908.*

Mr. SWINK. Mr. Chairman and gentlemen of the committee, I am a little bit hard of hearing, and you will have to bear somewhat with me, and, further, I am not much of a public speaker, and what I have to say I want to say purely and simply from the farmer's standpoint, not from that of any manufacturer or anything of the kind.

I have the honor to represent a large farming community, and in our country we depend solely on irrigation for raising the crops and improving the country. I do not know but what I had better first take up our irrigation systems. When I went to that country, in 1871, there were very few irrigation ditches built. Since that time we had some progress, up to along about 1884, and on up to about the time of the introduction of the sugar beet industry. I commenced, in 1884, to try to demonstrate what could grow best in that country, and I found that almost all kinds of vine crops, root crops, and such as that, did about the best. A little later on in our experimenting I found that the sugar beet was well adapted to that country, and I commenced to investigate the growing of sugar beets, and I continued on from year to year until we got a sugar plant.

Now to go back to the irrigation, somewhat; as I stated, in the early days we had but very few irrigation ditches. To-day we have 1,088 irrigation systems. That means main canals, reservoirs, and pumping plants. Those 1,088 irrigation systems have 1,902 miles of main lines of canal. The most of them are out of the Arkansas River, and some of them from its tributaries. This country that I speak of is only one district, that is the southeastern district of Colorado. We have five districts in our State, and our Arkansas Valley district represents nearly one-third of the irrigated lands of the State. There is one district that irrigates more land than we do. Then we have 14 reservoirs that have a storage capacity of 419,743 acre-feet. Some of you may not understand that. It is a foot deep and that many acres of water. The 1,088 irrigation systems irrigate 376,734 acres of land, and in that area we have 6,480 farmers irrigating from those canals, which makes an average of about 40 acres to the farm. I will state there that we have found that our best interest is to have smaller farms and better cultivation, and we have worked along that line, and we find that there is more money to the farmer in small farms and thorough irrigation and thorough cultivation than in large farming.

In that neighborhood that I represent we have six sugar plants—that is, six in Colorado—and one in western Kansas. Those sugar plants paid to the farmers last year over $3,000,000. That was paid for the beets grown in the vicinity in a radius up and down the valley of about 200 miles. For labor to run the plants they paid out something over $1,000,000. For coal they paid out $350,000 and for limestone $225,000. They paid out a large amount for coke also. I did not get just the data of that; I do not know just how much there was of that. We paid to the railroad company—one plant did—over $300,000 for transportation of coal, coke, stone, and sugar, and that class of articles. We have nothing that concerns the prosperity of our country, and that means so much to the farmer, as the sugar

Digitized by Google

interest. All the money we get is earned, it is raised from the soil, and we have it, and it is not as if we were running a very large business and there was a good profit in it, and it went to somebody else outside of the country, some corporation or something of that kind; but where it is paid to the farmer it goes to all classes of business and enables us to use and reuse it a great many times.

It is not only that; it goes to the merchant and business men of all classes, to stone men and coke men, and in fact it reaches every point of business, almost, in our State.

It may be said there is great profit in growing beets, which I admit. With good luck there is good profit to the farmer. There is nothing that is as staple, nothing that appears to be as satisfactory, as the growing of beets. We have other industries that may make larger returns, with all good luck, but they are more perishable. Our beet industry is one of the most hearty crops that we have. Hail may cut them off, but they will come right on again, provided they have got a little size, and I have known them to be cut off the third time, and yet make a good crop; so that it shows that it is a very sure crop, and there is nothing that has helped us out in the settlement of that arid country as much as the sugar interest has. It has become a fact with our river, which we once thought would be inexhaustible for irrigation, that the mean flow of the river cuts but a small figure at this time. We have got to depend largely upon the flood waters, and upon reservoirs which catch the flood waters, for our irrigation. In order to make it possible to grow beets or to grow any crop under a system of reservoirs, it has got to be a crop from which there are large returns, because a system of reservoirs is expensive, very expensive to build and middling expensive to maintain, and the seepage and evaporation are great, which makes the water pretty costly. Without some crop which we can get large returns for, the building of reservoirs and the improvement of the country would practically stop. As you all know, we have a large area of country adapted to the growing of sugar beets. It simply depends upon the amount of water and the building of reservoirs and the storing of water, to reclaim any more country. If we lost our beet interest, I look upon it that it would be disastrous to us, because we would practically have to stop reclaiming any more of the country, because the water is too expensive for growing wheat, corn, oats, and barley, and that kind of stuff. The returns would not be great enough to justify it.

Mr. UNDERWOOD. Can not you grow alfalfa out there?

Mr. SWINK. Yes, sir.

Mr. UNDERWOOD. Is not that a very profitable crop?

Mr. SWINK. Yes, sir; the best crop we have got, as a rule, except the sugar beets. It is the next best paying crop we have got.

The CHAIRMAN. What does the farmer get for his beets there, at the factory?

Mr. SWINK. He gets $5 flat rate, and then the freight added. Now, I can not tell you just what the freight is, because the factory pays the freight. The farmer does not pay any freight. We get $5 delivered.

The CHAIRMAN. Then the farmer delivers the beets on board the cars?

Mr. SWINK. Yes, sir; on board the cars.

The CHAIRMAN. And he gets $5?

Digitized by Google

Mr. SWINK. Yes, sir.

The CHAIRMAN. Do you know what it costs to make a pound of sugar in those factories? What is the average cost per pound?

Mr. SWINK. No, sir; I do not.

The CHAIRMAN. You do not know anything about that part of it?

Mr. SWINK. No, sir; I do not know anything about any part of it, particularly, except growing the beets.

The CHAIRMAN. Is it profitable, raising beets at $5 a ton?

Mr. SWINK. Yes, sir; under anything like good ordinary circumstances it is practically the best crop we have got.

The CHAIRMAN. How many tons per acre can you produce?

Mr. SWINK. It varies very much. It varies all the way, you might say, from 8 tons to 30 tons. Eight tons would be very low and 30 tons is very high. The average in our neighborhood——

The CHAIRMAN. Do you know what the average per cent of sugar is in the beets?

Mr. SWINK. About 15 per cent. Some years it has been a little more and some years a little less, but that is the average per cent.

The CHAIRMAN. What is done with the molasses that is made in the making of sugar?

Mr. SWINK. I think it is all worked into sugar, except some refuse that goes to a feeding plant. There is a certain amount of refuse and sirup that goes to a feeding plant. What that is worth I could not tell you.

The CHAIRMAN. Do you know anything about the pulp?

Mr. SWINK. That is fed by the farmers, mostly. The pulp is sold to the farmers for about 25 cents a ton.

The CHAIRMAN. The farmer draws it away from the factory?

Mr. SWINK. Yes, sir; the farmer hauls it away, of course.

The CHAIRMAN. What other crops do you raise there?

Mr. SWINK. We raise some wheat, a very little corn, a good deal of oats, and vegetables. We raise a good many melons.

The CHAIRMAN. I was going to ask you whether they raised the Rocky Ford melon there, or whether that is confined to Florida and Georgia.

Mr. SWINK. No, sir; we are not going to give that up yet; as we were the introducers of that, we are going to hold it.

The CHAIRMAN. Is that a profitable crop?

Mr. SWINK. Yes, sir.

The CHAIRMAN. How does that compare with the beet crop for profit?

Mr. SWINK. If you have all good luck, it is better, and if you do not have good luck, it is not near as good.

The CHAIRMAN. What is that?

Mr. SWINK. If you have all good luck, it is a better crop, and if you do not have good luck, it is not as good. It is very perishable.

The CHAIRMAN. How does it average from year to year?

Mr. SWINK. It does not average as good.

The CHAIRMAN. It does not average as good?

Mr. SWINK. No, sir.

The CHAIRMAN. That is all I care to ask the witness.

Mr. CLARK. You started to tell what the average crop of beets was, but the chairman interrupted you. What is the average crop of beets out there to the acre?

Digitized by Google

The CHAIRMAN. He said from 8 tons to 30 tons.

Mr. CLARK. I know he said from 8 to 30 tons, but that is hardly any information at all. What is the average crop?

Mr. SWINK. About 14 to 15 tons.

Mr. CLARK. That is a good crop?

Mr. SWINK. Yes; under average cultivation.

Mr. CLARK. Fifteen tons is an average crop and $5 is an average price?

Mr. SWINK. Yes; about. Now, understand me, some years they do not reach that.

Mr. CLARK. Oh, I understand that.

Mr. SWINK. Average years it runs about that.

Mr. CLARK. What is the labor cost of raising an acre of beets?

Mr. SWINK. That varies right smart. That depends upon the kind of soil and the condition of the ground and season. Some seasons it costs more than others.

Mr. CLARK. What would it average? You have been at it thirty years.

Mr. SWINK. Yes, sir; but only eleven years for sugar plants. It averages right along from about $30 to $35.

Mr. CLARK. How much does it cost to raise an acre of alfalfa?

Mr. SWINK. It does not cost near as much as to raise an acre of beets.

Mr. CLARK. How much does it cost?

Mr. SWINK. It costs to grow alfalfa what the water is worth and the expense of irrigation and the expense of cutting, and so on.

Mr. CLARK. How much does it amount to?

Mr. SWINK. That depends somewhat on circumstances.

Mr. CLARK. Of course it does.

Mr. SWINK. You have got to irrigate it.

Mr. CLARK. But you have been out there thirty years, and you seem to be a careful farmer, and you ought to know what the average is. What we are trying to get is information.

Mr. SWINK. Yes, sir; and I am glad you are. I will be glad to answer you.

Mr. CLARK. What does it cost to raise an acre of alfalfa, one year with another, in that stretch of 200 miles?

Mr. SWINK. Well, sir, it would cost to raise alfalfa, to grow it, ready to cut, probably about $4 an acre.

Mr. CLARK. Now, that is not the way to get at it. What you want to do is to put it on all fours with this proposition about putting your beets on the cars. How much will it cost to raise an acre of alfalfa and get it on the cars f. o. b.?

Mr. SWINK. I would have to figure that up a little.

Mr. CLARK. About what would it cost? You have an idea?

Mr. SWINK. It would cost, just at a guess, without figuring it up, I should think about $6.50 or $7 per ton, $28 per acre.

The CHAIRMAN. How much will an acre of alfalfa bring, one year with another?

Mr. SWINK. I want to illustrate a little there.

Mr. CLARK. All right.

Mr. SWINK. On that sugar question, when we commenced our sugar industry alfalfa was rather a drug at $3 a ton in the stack. To-day it is worth $6 a ton in the stack.

Digitized by Google

Mr. CLARK. Yes.

Mr. SWINK. Now, the reason for that is that we have decreased our alfalfa area quite a little, and plowed it up and put it into beets, which has divided the crop. Another reason is that by the growing of beets we have increased our feeding interests. We are feeding thousands of sheep more than we fed then, thousands of cattle more than we fed then, and it is mainly on account of having our sugar industry to connect with that. Now, to give you an idea along that line, you take an old sheep. If any of you have been in the sheep business you know when they get about 6 years old they are counted "pelicans" and worthless sheep, and you take those sheep and with the pulp you can make good meat out of them when you can not do it with corn and hay.

Mr. CLARK. You do not eat those old sheep yourself out there, do you? You ship them into the cities?

Mr. SWINK. We do not eat near as many of them as you do. [Laughter.]

Mr. CLARK. You ship those old sheep to the cities, do you not?

Mr. SWINK. You bet we do.

Mr. CLARK. And sell them for spring lamb. About how many tons of alfalfa do you generally raise to the acre—what would be the average?

Mr. SWINK. The average is about 4 tons to the acre.

Mr. CLARK. How many crops do you cut? Is that for the whole crop?

Mr. SWINK. Yes; for the whole crop.

Mr. CLARK. That is for the year?

Mr. SWINK. For the year. Now, sometimes we only cut two crops. If we have not got plenty of water, it cut the crop short, but with plenty of water and a good season we sometimes cut four crops. But the average is about three crops.

Mr. CLARK. Do you ship alfalfa out of that valley or do you try to consume it all there?

Mr. SWINK. Almost all of it is consumed there. We used to ship it.

Mr. CLARK. You get 4 tons to the acre?

Mr. SWINK. Yes.

Mr. CLARK. At an average of $6 or $7 a ton?

Mr. SWINK. Yes.

Mr. CLARK. That makes $24?

Mr. SWINK. Yes.

Mr. CLARK. And your labor costs $3.50?

Mr. SWINK. Yes; that is, $3.50 to get it ready to cut. Then you have got to cut it and put it up.

Mr. CLARK. What would it cost to cut it and put it up?

Mr. SWINK. It costs you 75 cents a ton to cut it and put it up.

Mr. CLARK. To cut it and put it up?

Mr. SWINK. Yes.

Mr. CLARK. That is $3 more per acre, then?

Mr. SWINK. Yes.

Mr. CLARK. That pulls it down to $17.50?

Mr. SWINK. Yes; that is about it.

Mr. CLARK. Now, you get $75 for an acre of beets?

Mr. SWINK. Yes.

Digitized by Google

Mr. CLARK. And $35 is a very liberal estimate for labor, and that makes $40 profit?

Mr. SWINK. Yes.

Mr. CLARK. Do you raise any other crop that is as good as the alfalfa crop besides the beet crop?

Mr. SWINK. Not unless we have a cantaloupe crop, and we have all good luck, and that beats anything yet.

Mr. CLARK. That is a very uncertain crop?

Mr. SWINK. Very uncertain; it is very perishable.

Mr. CLARK. And there are so many competitors in the market now?

Mr. SWINK. Yes.

Mr. RANDELL. When you speak of putting up the alfalfa, and say that it costs you 75 cents to put up the alfalfa, is that in the stack or bales?

Mr. SWINK. In the stack. We always put it in the stack first, and sometimes afterwards bale it, but we do not bale it very much. It is nearly all fed there.

The CHAIRMAN. Are there any other questions from the committee? Is there anything else you desire to say, Mr. Swink?

Mr. SWINK. Yes, sir; I want to say some more here. I want to dwell a little more on what this is to our country. I want to say this: I have been there a long while, and I have taken lots of interest in trying to improve that country. I have tried pretty near everything we could try, and there has been nothing so successful as the growing of beets. There is nothing that is any more certain. A man who has not a dollar can buy a piece of land, go in debt for it, with an assurance that he can pay for it; more so than almost anything else. I know that by practical experience. I have sold, myself, to sugar beet people coming there to settle a number of pieces of land at good prices, fair prices, and they have paid it off. Now, to give you an idea how that has worked, and the success with which it has worked, especially since we have had the sugar interest there, I had occasion to call to mind all the small tracts of land I had sold, because I had to make out some water rights to them, and out of all the lands that I had sold there were only 3 per cent of the purchasers that paid a dollar down, and there were only 7 per cent of that which ever fell back to me. They all paid out on their land. So that shows that it has been for the interest of our farmers. They could not pay the price for the land and pay out on it unless it was to their interest.

Now, another thing. It has induced the building of railroads. You take from Hally to Rocky Ford, a distance of over 100 miles, the Santa Fe has built a railroad, paralleled herself 12 miles north, so as to accommodate the people and ship their beets to and from their different factories all along the line, and it has opened up the country, and they are also extending their lines, which probably they would not do, and will not do if there is anything to hinder our beet interests, so that we could not go ahead in the business.

Mr. RANDELL. What is the market value of that land?

Mr. SWINK. The market value is about 100 per cent higher than it was when our sugar industry was introduced.

Mr. RANDELL. What is it now?

Mr. SWINK. The value of land to-day varies very much. That depends upon what ditch it is under, the management of the canal,

Digitized by Google

the lay of the land, the quality of the land, and the management of the different canals. It is a fact that the value of our land is practically in the water. We have any amount of government land all over the country there that is just as good land as other land, but if there is no water on it it is valueless.

Mr. RANDELL. When under irrigation, what will it average in price?

Mr. SWINK. It will run all the way from $50 to $300 an acre. Land from which you have got to haul beets, say three or four or five miles, is not near as high-priced as it is closer. The closer you get to a beet dump or a railroad the higher the price of land is. Fifty dollars is the price of the land where they have got to haul the beets, say two or three or four miles, to a station, and the high-priced land is land that is near a town, that they grow small stuff on, mostly.

Mr. CLARK. Is it generally supposed that you can grow beets successfully on any land in Colorado that you can get water on?

Mr. SWINK. Yes; you can grow beets successfully on any land except what is called dobe land; that is a stiff, heavy land that is very hard to work, and it is hard to water, and when you get it wet once it gets very hard when dry.

Mr. CLARK. Just roughly, what portion of the lands in Colorado could be utilized for raising beets if you could get water on to it; one-fourth?

Mr. SWINK. Yes, I think so; more than that, probably.

Mr. CLARK. One-third?

Mr. SWINK. Yes; I should think probably one-third. I do not know just the area of the mountain country. Of course, in the mountain country we could not grow them. When you get up to an altitude of 6,000, 7,000, or 8,000 feet, that is too high. Eight thousand feet would be too high, and 7,000 feet, probably.

Mr. CLARK. The water in Colorado is not sufficient to irrigate the lands, is it?

Mr. SWINK. No, sir.

Mr. CLARK. Down in the Arkansas Valley part of it you have utilized about all the water that is available now?

Mr. SWINK. All the mean flow of the river; yes, sir. But, as I stated before, the only thing we can do is to store it up, and we are doing it now.

Mr. CLARK. How much do they expect to increase the area of farming lands, if you can use that phrase, by this impounding of the waters?

Mr. SWINK. I think it would be safe to say that if we have the proper protection and proper management you might say it would be increased 50 per cent, maybe 100 per cent; that is, it might be doubled.

Mr. CLARK. Do you raise any fruit in that valley?

Mr. SWINK. Yes, sir.

Mr. CLARK. How does the fruit crop compare with this beet crop?

Mr. SWINK. In places it pays, I think, better. That is a crop that does very well in some places in Colorado, but in other places it does not do well at all.

Mr. CLARK. Is the fruit crop anything like as certain a crop as the beet crop?

Digitized by Google

Mr. SWINK. No; I do not think it is. It is not in our country. But there are some places in Colorado where it is pretty near a success every year.

Mr. CLARK. Does frost interfere with your fruit crop down in the Arkansas Valley?

Mr. SWINK. Yes; we have lost our entire crop the two last years. It is the first time we ever lost our entire crop, and there have been two total failures of the fruit crop. That is something that never happened before.

Mr. CLARK. I would like to ask you one question more. Suppose they cut down this tariff 50 per cent on sugar, do you think that would put your neighborhood out of the business of raising sugar beets?

Mr. SWINK. I can not tell you whether it would or not.

Mr. CLARK. What do you think about it?

Mr. SWINK. I think anything that would discourage capital for putting in plants would work very much against our country.

Mr. CLARK. I know, but that was not what I asked you. I asked you if it would stop you people from this industry of raising sugar beets?

Mr. SWINK. I think that would just depend upon what the plants did. If the sugar plants should throw the burden of the decline on to the farmer, I think we would have to quit business, but if it did not we might go ahead.

Mr. CLARK. That 50 cents on a hundred pounds would cut the price of your beets down from about $5 a ton to about $4, would it not?

Mr: SWINK. That is about it.

Mr. CLARK. That would still leave you a profit of $25 an acre on your beet raising?

Mr. SWINK. It would, with all good luck. If we had a poor yield, which we have sometimes, it would cut it down so that there would be nothing in it; but with all good luck, it would still, I think, show a profit; yes, sir.

Mr. FORDNEY. As a guaranty to the industry, you would rather see the duty raised instead of lowered, would you not?

Mr. SWINK. See it raised?

Mr. FORDNEY. Yes; if we are going to make any difference, any change in the tariff, you would rather see it raised instead of lowered?

Mr. SWINK. From the farmer's standpoint, I would. I am always willing to play fair.

Mr. FORDNEY. Yes.

Mr. SWINK. From the farmer's standpoint, if the duty was raised, it would probably protect us and give us more; but I do not know about that; I can not tell, because, as I understand it, we are subject to what you call monopolies—that is, combines. Whether it would figure out to our interest or to somebody else's interest, I do not know about that.

Mr. FORDNEY. If retaining the present rate of duty or raising it would insure the continuation of the factories, it would then benefit the farmers, would it not?

Mr. SWINK. How is that?

Mr. FORDNEY. If retaining the present rate of duty, or even raising it, making it higher, would retain the factories, and permit them to continue in the industry, it would benefit the farmers, would it not?

Digitized by Google

Mr. SWINK. If they paid more for the beets, it would; yes, sir. [Laughter.] It would benefit the farmer. That is something you can not control.

Mr. FORDNEY. I agree with you.

Mr. HILL. Is the general sentiment of Colorado in favor of a protective tariff generally, or only on beets?

Mr. SWINK. Are the people of Colorado in favor of a protective tariff?

Mr. HILL. Generally?

Mr. SWINK. Generally they are, but I do not know as the last election showed it very well. [Laughter.]

Mr. BONYNGE. You were a victim of the last election yourself, were you not, Senator?

Mr. SWINK. Yes; and I was just like the balance of them—I got left.

Mr. GRIGGS. You are not a Democrat?

Mr. SWINK. Pardon me?

Mr. GRIGGS. I do not mean to insult you at all; but I say, you are not a Democrat.

Mr. SWINK. Not a Democrat?

Mr. GRIGGS. Yes.

Mr. SWINK. I never have been. I have voted with the Republican party ever since its organization.

Mr. GRIGGS. You mean in Colorado? Yes; I understand. We have got some good citizens in Colorado.

Mr. SWINK. You bet we have; a whole lot of them.

The CHAIRMAN. Are there any further questions to be asked of Mr. Swink? Have you anything further to offer, Mr. Swink?

Mr. SWINK. Now, I would just like to say this in conclusion: That as I look at it, anything that would tend toward lowering the price of sugar might have something to do with stopping the building up of manufactures in our State. To stop the industry where it is would mean to stop building reservoirs or any more ditches or improving any more land. With the present condition of things I think our people are perfectly satisfied, and we are getting along nicely. We have gotten along better than we ever did since I have been in the country, and we are perfectly willing to let well enough alone. That is about all I want to say on the subject.

Mr. CLARK. The people of Colorado do not expect any more unusual profits by reason of the bounty given by the Government than other good agricultural States have, do they?

Mr. SWINK. No; I do not think so.

Mr. CLARK. The profit to the farmer on beets now is about $40 an acre, is it not?

Mr. SWINK. Yes; that is you might say the extreme profit. It does not average that all the time.

Mr. CLARK. You stated that the cost of labor was $35 and the average crop was 14 or 15 tons, and the average price was $5. That would make the price for an acre of beets $75, less the labor cost, $35, which would give $40 to the owner of the land or the producer.

Mr. SWINK. That is, as I stated, with good luck. But sometimes you have got to plant it over, and quite often you have got to do it, which reduces the price to the farmer. He has got losses to contend with.

Digitized by Google

Mr. CLARK. Outside of melons and truck gardening, which is dependent on the location of the farm close to a railroad center or a big city, alfalfa is your next best crop?

Mr. SWINK. Yes, sir; alfalfa is practically our next best, surest crop to-day, at the present price.

Mr. CLARK. And that pays you a net profit of about $17 or $18 an acre?

Mr. SWINK. Hardly that. But there is another point right in there. Supposing we quit growing beets and we go back to alfalfa; we are going to produce so much alfalfa that we will get just where we did before.

Mr. CLARK. What I wanted to do is to make a comparison. How much per acre can the wheat grower make? What is the profit to the owner of the land after you deduct the cost of raising wheat?

Mr. SWINK. A great deal of our ground is rented ground, to the farmer, and the man who does the work—the farmer—makes more than the landlord.

Mr. CLARK. But after you deduct the price of labor does the owner, the landlord of the land, make as much as $20 an acre on wheat?

Mr. SWINK. Deducting the price of the labor?

Mr. CLARK. If you deduct the price of the labor, is the net profit to the owner of the land or the landlord as much as $20 an acre on wheat?

Mr. SWINK. I think it is right in the neighborhood of $20.

Mr. CLARK. Then the farmers of this country who are making $20 net as the result of their crops are making the average profit, the average success, of the farm interests in the country, are they not?

Mr. SWINK. Yes, I think so; about that.

Mr. CLARK. Then on beets, by reason of the protective tariff, you are making very largely in excess of the average return—the net profit—of the average farmer in the country, are you not?

Mr. SWINK. On which; the beet interest?

Mr. CLARK. Yes.

Mr. SWINK. Yes; because there is no other farming which pays as well as that.

Mr. CLARK. Then if for any reason the price of beets or of beet sugar is reduced so that the profit in raising beets is reduced down to $20 an acre, you would still go on raising beets, would you not?

Mr. SWINK. I do not know whether we would or not?

Mr. CLARK. Would not that be as profitable as any other crop, at $20 an acre?

Mr. SWINK. You might; but it would make a good deal of difference whether you had to grow $4 beets or $5 beets.

Mr. CLARK. I understand it would make a difference, but you would still go on raising them at a net profit of $20? It would still be as good as any other crop?

Mr. SWINK. I could not say whether it would or not.

Mr. CLARK. That is all.

Mr. FORDNEY. Did your land bring $300 an acre before you began to raise beets?

Mr. SWINK. Three hundred dollars?

Mr. FORDNEY. Yes. You stated that the highest priced land was $300 an acre.

Digitized by Google

Mr. SWINK. No, sir. The highest priced land I know of when we commenced to raise beets around there was $100 an acre. But I can not say that the raising of beets increased the land $200 an acre. It was only by building up our towns, and it is the small tracts of land around the towns that are so high priced. That is where the high-priced land is. But out in the country it has increased the land about 100 per cent.

Mr. GRIGGS. Was that the highest priced land—$100 an acre?

Mr. SWINK. One hundred dollars an acre was the highest price before we commenced our sugar beet raising.

Mr. FORDNEY. Your alfalfa crop would not bring you a fair rate of interest on your $300 an acre land?

Mr. SWINK. No, sir.

Mr. FORDNEY. Nothing but the beets you grow would do that?

Mr. SWINK. No.

Mr. BONYNGE. Has the agitation for the admission of Philippine sugar free retarded the growth of the sugar refineries in your country? Have there been any factories proposed that have been abandoned because of the danger of the admission of Philippine sugar free, to your knowledge?

Mr. SWINK. I do not know to what extent that might retard it, because I do not think there has been any sugar plant put up since it has been talked of. putting Philippine sugar on the free list.

Mr. BONYNGE. No factories have been erected for how long a time in Colorado?

Mr. SWINK. That is only two years.

Mr. BONYNGE. Since two years ago?

Mr. SWINK. Yes.

Mr. CLARK. Did they not move a factory from Michigan to Colorado within less than two years?

Mr. SWINK. Well, that was two years ago, I think.

Mr. FORDNEY. It was over two years ago.

Mr. CLARK. You have been a farmer all your life, have you not?

Mr. SWINK. Yes, sir.

Mr. CLARK. Where did you live and farm before you went to Colorado?

Mr. SWINK. In Illinois.

Mr. CLARK. That is a pretty good farming section, is it not?

Mr. SWINK. Yes, sir.

Mr. CLARK. What would be the average corn crop in Illinois?

Mr. SWINK. The average corn crop?

Mr. CLARK. Yes. What part of Illinois did you come from?

Mr. SWINK. The central part, Fulton and Schuyler.

Mr. CLARK. That is a good part of the State.

Mr. SWINK. Yes.

Mr. CLARK. What would be the average corn crop in that part of Illinois?

Mr. SWINK. With favorable conditions, if we got an average of 50 bushels of corn it was a very fair average crop of corn.

Mr. CLARK. How much does it cost to raise an acre of corn?

Mr. SWINK. That depends on the season.

Mr. CLARK. There must be some kind of an average in Illinois. About how much do you think it would cost to raise an acre of corn in Illinois?

Digitized by Google

Mr. SWINK. That is pretty hard to answer, just what it would cost to raise it. You can state that it would cost to raise it one year, but it might cost more the next year.

Mr. CLARK. That is the reason I asked you that question.

Mr. SWINK. It is pretty hard to tell what the average would be.

Mr. CLARK. About how much—$5. Could you raise an acre of corn for $5?

Mr. SWINK. No; I do not believe we could, for $5.

Mr. CLARK. For $6 or $7 or $10?

Mr. SWINK. That depends a whole lot on your ground.

Mr. CLARK. There is not an acre of corn in America that costs $10 to raise, is there, except where it is irrigated?

Mr. CALDERHEAD. Oh, yes.

Mr. CLARK. It does not cost that in Kansas.

Mr. SWINK. I do not know that there is. I do not know that it would cost that.

Mr. CLARK. Would $7.50 be a fair price?

Mr. SWINK. You mean over and above the rent of the land?

Mr. CLARK. Yes; I want you to answer that question now, if you can, just like you answered in regard to the cost of raising an acre of beets. I want to get at a comparison, if I can.

Mr. SWINK. I am not as well prepared to answer that as I am the question in regard to the beets, from the fact that I am not there, and have not been, you see, for thirty-seven years, raising corn.

Mr. CLARK. The average price of corn in the United States, one year with another, is not over 40 cents, is it?

Mr. SWINK. That might be so; but I know it is more than that now, and has been for two years.

Mr. CLARK. I know it is. It happens to be more than that now. What would you say was an average good price for corn, one year with another?

Mr. SWINK. I think you are about right; 40 to 45 cents.

Mr. CLARK. Say 45 cents, then.

Mr. SWINK. It has sold from 45 to 50 cents. That is the way it generally runs; sometimes higher.

Mr. CLARK. That makes $22.50 for an acre of corn, without taking out anything for raising it. If you count for raising it $7.50, which I think is a big price, that would leave only $15 an acre for the corn.

Mr. SWINK. For the corn?

Mr. CLARK. Yes; net profit.

Mr. SWINK. Yes, sir.

Mr. CLARK. Now, you are getting, according to your own statement a while ago, $40 an acre on these beets. You are getting $40 an acre on the beets and $15 profit on the corn in the best corn land in America.

Mr. BONYNGE. Can you not raise more acres of corn with a given amount of labor than you can of beets?

Mr. CLARK. I know, but what I was trying to get him to state was the average cost of an acre of corn. He would not state it, so I stated it myself at a high price.

Mr. BONYNGE. The labor on the beets costs more.

Mr. CLARK. But on the cost of raising an acre of beets out there you take into consideration this $5 or $10 an acre, whatever it may be, for watering. What I was trying to get at is the difference be-

Digitized by Google

tween the cost of raising an acre of corn and an acre of beets. If you take off this 50 cents per 100 pounds on sugar, as some suggest, it still leaves these beet men $25 an acre profit, and that is nearly twice as much profit as the corn raiser makes. The corn raiser is not here. Now, how much wheat will you raise on an average per acre in Illinois or Iowa?

Mr. SWINK. Wheat?

Mr. CLARK. How much wheat will you raise on the average?

Mr. SWINK. That is pretty hard for me to answer now.

Mr. CLARK. If you have only a general idea, I can tell myself, but I am not the witness.

Mr. GRIGGS. You made preparation only to answer on beets, did you not?

Mr. SWINK. The wheat crop, I suppose, varies in Illinois just the same as it used to. It used to vary very much, all the way from nothing to an average crop, and the average crop, I think, would be something about 20 bushels, when I was farming.

Mr. CLARK. How much is a fair average price for wheat?

Mr. SWINK. About $1 a bushel.

Mr. CLARK. About $1 a bushel. That would be $20 an acre. How much does it cost to raise an acre of wheat and harvest it, cut it and thrash it and get it into the stacks, and on the cars, f. o. b.?

Mr. SWINK. That depends on the price of labor.

Mr. CLARK. But you know what the price of labor is. We all know out there.

Mr. SWINK. I do not know as we all know. Some pay more than others.

Mr. CLARK. Some of these gentlemen live in the cities, and they do not know anything about farming. You and I do.

Mr. SWINK. Yes.

Mr. CLARK. How much do you say it will cost to raise an acre of wheat and harvest it, thrash it, and put it in the stacks, and get it f. o. b. the cars?

Mr. SWINK. I would have to figure that up, and I do not know; offhand I would not like to answer.

Mr. CLARK. Would $5 be a plenty?

Mr. SWINK. I do not know about that.

Mr. CLARK. It costs about $2 an acre to get it in the ground, does it not?

Mr. SWINK. To get it where?

Mr. CLARK. To sow it.

Mr. SWINK. Two dollars an acre to sow it?

Mr. CLARK. Yes; to sow wheat.

Mr. SWINK. Two dollars an acre. I was figuring on the bushel. It might be.

Mr. CLARK. That would be a fair average?

Mr. SWINK. You mean to stack it and get it thrashed?

Mr. CLARK. No; I mean to plow the ground up and harrow it and sow the wheat.

Mr. SWINK. I did not understand you. Yes.

Mr. CLARK. Would $5 be a fair average cost of getting this acre of wheat on the cars?

Mr. SWINK. I should think so, probably.

Mr. CLARK. That leaves $15 to the wheat farmer per acre; and you are getting two and two-thirds times as much as the wheat farmer

Digitized by Google

or the corn farmer. Does the hay crop pay as much out in that country as it does in Michigan and Ohio and Kansas and Illinois?

Mr. SWINK. How is that?

Mr. CLARK. Does the hay crop pay as well in the Central West, as we have gotten into the habit of calling it here lately, as the corn crop or wheat crop?

Mr. SWINK. I think that the hay crop would pay us better.

Mr. CLARK. I am not talking about Colorado. I am talking about Illinois, Iowa, and Missouri and Kansas, and that country.

Mr. SWINK. I suppose so. They appear to raise more of it, and if it did not pay they would not.

Mr. CLARK. Those are the three great crops there?

Mr. SWINK. Yes.

Mr. CLARK. And you get two and two-thirds times as much out of your beet crop as those farmers get out of theirs. Now, do you think there would be anything unfair in taking away $1 a ton on your beets?

Mr. SWINK. I think it would be a great hardship on us. I think it is a question whether our farmers would continue and take the chance on it.

Mr. CLARK. They could not grow anything else that would pay better?

Mr. SWINK. No; but it is the class of labor. It is a question whether they would not rather do something else.

Mr. FORDNEY. How would the cost of raising 40 acres of corn compare with the cost of raising 40 acres of beets?

Mr. SWINK. It is very different. One man could grow 40 acres of corn.

Mr. FORDNEY. He would not grow as many acres of beets, would he?

Mr. SWINK. You bet he would not.

Mr. FORDNEY. You have to have the same amount of labor whether you get a good or a bad crop of beets, do you not?

Mr. SWINK. One man can put in and cultivate about 20 acres of beets—that is, one man with a team; but he can not thin them nor he can not top them. He may haul them to market. About 20 acres, that is about what it takes.

Mr. RANDELL. How many acres do you cultivate in beets?

Mr. SWINK. On my different places I have about 200 acres, I think.

Mr. RANDELL. You have no connection with or no interest in any refinery?

Mr. SWINK. Sir?

Mr. RANDELL. You have no interest in any sugar-refining plant?

Mr. SWINK. Not a bit in the world. I have no interest in any plant, no stock in any plant, or no interest in anything but just growing the sugar beets to put on the cars. That is all the interest I have.

Mr. RANDELL. You have no interest in any irrigation plant?

Mr. SWINK. Oh, yes; I have. I have got stock. Our ditches are most of them run by companies, and they are stocked for so much, and the stock is owned by the farmers. They are cooperative companies in one sense of the word, while they are companies. But I do not own any ditch where I sell the water for a profit. I only own the ditches and irrigate the lands under the ditches.

Mr. RANDELL. The higher price you get for the beets the higher price you can sell your land for?

Mr. SWINK. Yes, sir.

Digitized by Google

Mr. BONYNGE. What was the average yield in the Arkansas Valley this past year?

Mr. SWINK. In 1907 and 1908, you mean?

Mr. BONYNGE. Yes; the crop that is now being gathered.

Mr. SWINK. The average yield?

Mr. BONYNGE. Yes; in the Arkansas Valley.

Mr. SWINK. In the entire valley?

Mr. BONYNGE. Yes.

Mr. SWINK. I am not sure about that, but I think the average yield was about 13 tons, the average for the valley. Some neighborhoods average more than others. Our neighborhood averages more, because we have got more good farmers.

Mr. BONYNGE. It has been a good year, has it?

Mr. SWINK. This last year would not average that. This is the worst year we ever did have.

Mr. BONYNGE. Would it average more than 11 tons to the acre this year?

Mr. SWINK. That I could not tell, but my understanding is that they are not yielding as well this year as usual, on account of the frost last spring and the dry weather; but the crop is not harvested, and I could not tell you the yield this year. I only speak of the yield last year.

Mr. FORDNEY. The success of the beet sugar industry does not depend entirely on the crop in Colorado, as there are many factories in other States where conditions are much different from what they are where you raise beets by irrigation. In Wisconsin and Michigan the farmers must depend upon the elements for sunshine and rain where you, in irrigating countries, can give water to the beets when they need it, and you have sunshine all the time, so that the conditions which prevail there would not control the industry all over the United States, would they?

Mr. SWINK. No, sir; I do not think so. The conditions in the different localities are very much different. Even in an irrigation district they are very much different, of course.

Mr. FORDNEY. The industry could not survive alone in Colorado if it could not elsewhere—in other States?

Mr. SWINK. No, sir; I do not think so.

Mr. BOUTELL. What is the nature of the farm labor on the beet farms there? Do they have any trouble in getting labor?

Mr. SWINK. No, sir; we have not had much trouble. We employ American boys and girls, some Japs—quite a good many—and Mexicans and some Indians in thinning the beets. The Mexicans and the Indians are down in New Mexico. We go down there about thinning time and bring them up, and they do the thinning and then go back. Some of the Japs stay there during the whole entire season and raise beets as well as thin beets. The thinning of them and the topping of the beets it is pretty hard to get our American fellows to do, and they prefer to hire the labor and pay for it.

Mr. BONYNGE. What do you pay for that labor?

Mr. SWINK. What do we pay?

Mr. BONYNGE. Yes.

Mr. SWINK. Where we pay by the day we pay them $1.50 a day, but most of them top by the acre. It costs $6.50 an acre to top the beets and $6.50 to $7 for thinning; that is, thinning and hoeing—one hoeing.

Digitized by Google

STATEMENT OF K. R. BABBITT, GARDEN CITY, KANS., REPRESENTNG THE UNITED STATES SUGAR AND LAND CO.

TUESDAY, *November 17, 1908.*

Mr. BABBITT. Mr. Chairman and gentlemen, I only desire to engage the attention of the committee for two or three minutes. I am here representing the United States Sugar and Land Company, a corporation which about three and a half years ago began operations and made its investments in western Kansas, in the two western counties in Kansas. It has perhaps there reached an actual investment of something over $3,000,000, represented by a sugar factory which cost approximately $1,000,000, by a large tract of land, and irrigation systems embracing something over 200 miles of main canals and main laterals and large storage reservoirs, and the company is owned entirely by individuals residing in Colorado and Kansas. Not a share of its stock is owned by any other interest or identified with any other branch of the sugar industry. The company is engaged in developing that part of Kansas by inviting tenants onto its lands, by offering them the opportunity of purchasing those lands on payments extending over a period of ten years, and generally endeavoring to work out the development of its own business and of that particular country.

There is no division of opinion among the directors or stockholders of that company as to the necessity of at least continuing the present protection which is afforded to their product. It is true that the farmers of that country, I believe, have shared, to a much greater extent than the owners of factories, in whatever profits there have been growing out of the industry. This company, as I said, has been operating for three and one-half years there and has paid one dividend. It has not paid anything like the prevailing interest rates on its investment, and it depends for its profits upon its ability to improve conditions of raising beets. Those conditions are improving. The farmers are learning how to raise beets and they are doing better. But, just incident to what has recently taken place before the committee, I desire to say that last year's crop, which embraced something between 8,000 and 10,000 acres, did not average the growers quite 10 tons per acre. Now, I think it is fair to say that in many of the years that is about what the average will be to the grower, and the figures stated to you, perhaps, are the figures obtained by Mr. Swink, who is undoubtedly the most experienced and accomplished beet raiser probably in Colorado, and located in one of the most favorable situations for the raising of beets in the United States, as we understand it. But I am simply here to say that I speak not more for this company than for the several thousands of men in those two counties in western Kansas who are very greatly interested and who have profited much more than the company by the introduction of this industry there, and there is no place anywhere, I am sure, which more fully presents the truth of what Mr. Saylor said before you yesterday as to the effect of this industry in a general revival of business conditions in that country. The lands have increased, undoubtedly, from 50 to 150 per cent since this industry was instituted there, and the farmers are taking very much more interest in the cultivation of their soil, and it has had the effect of introducing generally a much more skillful cultivation of the soil and a general

Digitized by Google

revival of business and a change in the whole face of conditions in the country. I may say that this company, I know, is properly and ably managed, it has skillful men in every department and business men at the head of it, and its profits have not been such as to be particularly inviting, and the only profit that can be worked out of it will come from an improvement of conditions there; and certainly any substantial reduction, from whatever cause, in the price of their product would result in an absolute destruction of that investment, so far as it is related to the beet industry. I thank you.

Mr. UNDERWOOD. You are not as favorably located for the beet sugar industry in Kansas as they are in California and Colorado and the arid country, are you?

Mr. BABBITT. As it was stated before, the best results, as I understand it—I can not speak as an expert—depend upon the supply of water. The character of the soil in western Kansas is, of course, very much the same as that in eastern Colorado. It is only 150 miles east of Rocky Ford; I think that is about the distance. The same general conditions prevail for a short distance over the line in Kansas as prevail generally in Colorado.

Mr. UNDERWOOD. You raise beets by irrigation?

Mr. BABBITT. Yes, sir; we have to do it entirely by irrigation. The waters that flow in the rivers during the year are not sufficient, and in order to insure crops it has been found necessary to have storage reservoirs. This has involved large investments, and those reservoirs are being installed all along. If I may be permitted to differ from Mr. Swink, I think there is water enough falls in Colorado to irrigate every acre of irrigable land. It is only a question of installing reservoirs, and they are being installed slowly.

Mr. UNDERWOOD. Where do you dispose of your product?

Mr. BABBITT. I understand mostly at Missouri River points.

Mr. UNDERWOOD. You do not come into competition with the eastern refiners at all?

Mr. BABBITT. I am sure I do not know whether we meet competition there, but that is where our market is, at Missouri River points. It has occurred to me in that connection that if beet sugar were not raised to supply that very large area of land in the Middle West the inhabitants of that land would have to pay a very much larger price for their sugar than they do now.

Mr. CLARK. The amount of sugar raised out there on your plantation does not affect the people of western Kansas very much, does it?

Mr. BABBITT. Of our individual industry?

Mr. CLARK. Yes.

Mr. BABBITT. Certainly not. That is on the basis of all beet sugar industries.

Mr. CLARK. Where do you get your storage waters from?

Mr. BABBITT. From the Arkansas River.

Mr. CLARK. I know, but where. Do you use water out of the river?

Mr. BABBITT. I beg your pardon?

Mr. CLARK. Do you use simply the water out of the river or do you have a reservoir somewhere?

Mr. BABBITT. We have both.

Mr. CLARK. Well, I asked you where the reservoir was, and you said you got your water out of the Arkansas River.

Digitized by Google

Mr. BABBITT. I certainly did not understand you. Our reservoir is situated probably 3 miles from the river, and water is taken to that reservoir in a ditch 15 miles long.

Mr. CLARK. You have been engaged in this enterprise three and a half years?

Mr. BABBITT. This particular company has been engaged in it for that time.

Mr. CLARK. How long have you been engaged in raising sugar beets in a commercial way in western Kansas?

Mr. BABBITT. I think that this is probably the first company that attempted to raise sugar beets in western Kansas. I am not advised that there are any others. It is just across the border from the Rocky Ford district in Colorado.

Mr. CLARK. You say there is water enough out there to irrigate all the irrigable land in Colorado?

Mr. BABBITT. I believe that water enough falls in the State, in those mountains, if it be conserved in reservoirs, to do that. Of course I can not prove it as a technical matter.

Mr. CLARK. Oh, of course; I understand that.

Mr. BABBITT. I believe that is the general idea, that it is only a question of storing the water that falls.

Mr. CLARK. By "irrigable land" you mean land that is topographically situated so as to make it profitable to irrigate?

Mr. BABBITT. I do.

Mr. CLARK. There was a statement in a newspaper here, I have forgotten what paper, but it was some large metropolitan paper, that on account of the small quantity of snow that fell out there they had a scarcity of water in the mountains and in the reservoirs. Is that true or not?

Mr. BABBITT. This year?

Mr. CLARK. Yes.

Mr. BABBITT. I can not speak with any great degree of authority on that this year, but I think if anyone goes out among the mountains in the Rocky Mountain Range any winter I have ever seen—and I have seen twenty of them—he will not be impressed with the scarcity of snow.

Mr. CLARK. That has been my experience.

STATEMENT OF J. F. STILLMAN, OF NEW YORK CITY, REPRESENTING ARBUCKLE BROTHERS, NEW YORK CITY, INDEPENDENT SUGAR REFINERS.

TUESDAY, *November 17, 1908.*

Mr. STILLMAN. I appear on the part of Arbuckle Brothers, New York, independent sugar refiners, to place on record our desire for lower duties. We think it is much better for the business as a whole to have lower duties.

I had no intention of appearing here except to say that, but several questions have been asked, and not answered, as to why the Louisiana people and the beet sugar people had to accept 50 cents a hundred less than the world's price for sugar. I say it was not necessary. It was to this extent. The inference was made that it was owing to the enmity of the sugar trust. I think this fact should be taken into ac-

Digitized by Google

count, that the beet sugar producers are trying to raise a crop that comes to fruition at a time when the distribution of the year is past, when several crops are coming in. The beet crop comes first, soon followed by the Louisiana crop, immediately followed by the Cuban crop. It comes in at a time, I say, when the distribution has gone by. Cane sugar, at any rate, and partly beet sugar, is a thing that should be marketed promptly. It is not a crop that stands storage; and I think that if the committee will keep that in mind they will see why the people who raise these crops in immense quantities at a time when the distribution is past must accept almost any price they can get. That is the reason why they must do so.

Mr. HILL. Did I understand you to say that you are connected with Arbuckle Brothers?

Mr. STILLMAN. Yes, sir.

Mr. HILL. And I understood you to emphasize the fact that they are an independent concern?

Mr. STILLMAN. Yes, sir.

Mr. HILL. How long have they been independent?

Mr. STILLMAN. Ever since they have had a sugar refinery.

Mr. HILL. Is there any agreement between the Arbuckle Brothers and the American Sugar Refining Company?

Mr STILLMAN. No, sir.

Mr. HILL. Has there been at any time?

Mr. STILLMAN. No, sir; not at any time. There has been constant war.

Mr. CLARK. You, together with several other witnesses, have testified that this sugar has to be sold right away; that these men who own the raw sugar can not hold it; that you can not store it. Does that apply to refined sugar as well as to raw sugar?

Mr. STILLMAN. No; refined sugar can be stored very much longer than raw sugar.

Mr. CLARK. That is what I could not understand. I could not understand why they had to sell and you did not have to sell.

Mr. STILLMAN. We do sell.

Mr. CLARK. But you do not sell all at once.

Mr. STILLMAN. We do not buy all at once. We have not any crop coming in to us in two months that must be distributed over the year's consumption.

Mr. CLARK. That is what I was wondering about; that it had all to be disposed of at once.

Mr. STILLMAN. It does not always.

Mr. CLARK. How many months in the year do you buy this sugar; that is, how many months in the year is the actual market for raw sugar?

Mr. STILLMAN. We buy sugar all the year, all the time.

Mr. CLARK. Did you not state a while ago that the reason these men had to take what they could get for their sugar was on account of the deterioration of the sugar, and that they could not store it?

Mr. STILLMAN. Yes, sir. They have to do that because their crop comes into the market at a time when the main distribution of the year is past. The refiners buy all the time, according to their wants. They do not hold back and wait for this crop to come and then buy it.

Mr. CLARK. Yes; their crop comes in a different season?

Digitized by Google

Mr. STILLMAN. The beet crop of Europe comes in about the same time as the beet crop of America comes in. At the same time the crop of Java has come into port. It takes sixty days to bring that crop here. They begin in May to grind, and most of their sugar is shipped in the first part of July and the first of August, and it gets in here about the time that the domestic beet crop is coming on the market.

Mr. LONGWORTH. When do you get the crop from Louisiana?

Mr. STILLMAN. In October and November.

Mr. LONGWORTH. October and November?

Mr. STILLMAN. And December.

Mr. LONGWORTH. About the same time as the beet crop?

Mr. STILLMAN. About. I think it follows a little later.

Mr. MCCALL. How much sugar does your company refine in the year, about?

Mr. STILLMAN. Oh, from 200,000 to 300,000 tons during the year.

Mr. FORDNEY. Did I understand you to say that you would favor abolishing all duty on sugar? I did not quite understand your first statement.

Mr. STILLMAN. If I thought only of our own business, I would advocate it.

Mr. FORDNEY. But if you thought of the United States Treasury you would not?

Mr. STILLMAN. I would not. If I thought of the welfare of the whole country, outside of the Treasury, I think I would.

Mr. FORDNEY. If you were thinking of the welfare of the beet and cane sugar producers of the country, you would not recommend it, would you?

Mr. STILLMAN. No, sir; I would not. If I thought of their welfare, I suppose I would make a prohibitive duty on all sugar.

Mr. FORDNEY. Do you believe the beet sugar industry could survive on free sugar?

Mr. STILLMAN. No, sir; I do not.

Mr. FORDNEY. Then, certainly, if we had free sugar, this $60,000,000 to $100,000,000 invested in that industry would perish?

Mr. STILLMAN. I think it would. I do not advocate no duty, or free sugar.

Mr. FORDNEY. Do you think that industry could stand any reduction in the present rates on raw sugar?

Mr. STILLMAN. What industry; the beet sugar industry?

Mr. FORDNEY. The beet sugar industry?

Mr. STILLMAN. I do not own any beet sugar interests, and the most I know is what I have heard here. I should judge by that it could.

Mr. FORDNEY. One gentleman, Mr. Carmen Smith, representing the Owasso Beet Sugar Company, stated yesterday that the profit of that company was but 29 cents a hundred pounds on their product last year. They could not stand very much reduction of duties, could they?

Mr. STILLMAN. Yes; they could, if they do the work right, as I understand it.

Mr. FORDNEY. In the first place, to do good work they would have to get the farmer to raise the beets at a less price?

Mr. STILLMAN. They want to do some missionary work in that direction; yes, sir.

Digitized by Google

Mr. FORDNEY. What is that?

Mr. STILLMAN. They want to do some work in that way, as well as reducing the cost of their own operations.

Mr. FORDNEY. In the first place, they must produce beets at a less price than they do now, and secondly they must get the sugar out at a less price?

Mr. STILLMAN. They must pay less for the beets and get more sugar out of them.

Mr. FORDNEY. And pay less for their labor?

Mr. STILLMAN. No; I do not think so.

Mr. FORDNEY. Labor enters largely into the cost of production.

Mr. STILLMAN. But that will be made up by the increased yield of the labor.

Mr. FORDNEY. Well, they are gradually improving. They do produce sugar at a little less price now than when the industry was first started in the country?

Mr. STILLMAN. I do not know the history of their business, but if they say they are improving, I am willing to believe they are. I do not know from my own knowledge.

Mr. FORDNEY. There is one thing certain; that if all the sugar we consume in this country were produced here, American labor would get much more out of it than they do now, would they not?

Mr. STILLMAN. I do not know whether they would or not.

Mr. FORDNEY. When it costs 50 cents a hundred pounds more to purchase raw sugar imported from a foreign country?

Mr. STILLMAN. I did not quite understand your question. You said American labor would get more out of it. Out of what?

Mr. FORDNEY. More pay out of the production of the sugar.

Mr. STILLMAN. The gross amount of money paid to the laborers of this country of course would be greater if all the sugar was raised in this country.

Mr. FORDNEY. Yes; the gross amount received by labor would be greater than at the present time.

Mr. STILLMAN. There is no doubt about that in my mind.

Mr. FORDNEY. Your idea of good labor conditions in the country is when labor is well employed and well paid, is it not?

Mr. STILLMAN. Yes.

Mr. FORDNEY. Then anything that is done by the Government in the way of placing a tariff on imported articles would be in the line of protecting American laborers against foreign laborers that receive less pay, would it not?

Mr. STILLMAN. If you will excuse me, I did not intend to deliver a political address, but I do not like the term "protecting American labor." I do not think American labor is protected. It seems to me it is rather degraded by the present process. When you look at those people coming into New York, I do not think they raise the quality of American labor a bit. I did not mean to raise a question of that kind.

Mr. FORDNEY. I was not trying to make a political speech. I could not do that if I tried.

Mr. STILLMAN. Neither can I.

Mr. FORDNEY. But one gentleman, Mr. Baird, yesterday did say that the expert labor in producing sugar in some of the countries in Europe receives about one-seventh in dollars and cents what American labor receives for the same kind of labor in this country.

Mr. STILLMAN. Yes.

Digitized by Google

Mr. FORDNEY. And the duty on that sugar produced by that cheap labor abroad certainly must protect that labor here, must it not?

Mr. STILLMAN. If that is what you call protection of labor, yes.

Mr. FORDNEY. That is all.

Mr. STILLMAN. There are other things. I said if I considered the benefit to the whole country I would advocate free sugar. It is supposed that free sugar would increase other industries so much and enter so largely into the daily life and manufactures of the people that the benefit of it would be distributed throughout the country much more, I think, than the profits to a few, a comparatively few, beet sugar people.

Mr. CRUMPACKER. What is your company?

Mr. STILLMAN. Arbuckle Brothers.

Mr. CRUMPACKER. Does your company refine any Hawaiian sugar?

Mr. STILLMAN. No; we have not had any.

Mr. CRUMPACKER. Why do you not buy the Hawaiian product?

Mr. STILLMAN. We were offered, some time ago, an opportunity to buy some Hawaiian sugar by contract. I think that is the way that the business is done. The planters contract for their year's output. We did not want to bind ourselves to take cargoes of sugar that came into New York whenever they might come. The business is done in that way. They ship the sugar and the receivers here take it on arrival, no matter whether their refineries here are overloaded or not, and we did not want it on those terms.

Mr. CRUMPACKER. So that in selling that sugar they naturally or necessarily sell at a smaller price than the current price?

Mr. STILLMAN. We were offered that sugar at a smaller price; but we preferred to be free to buy when and where we wanted to.

Mr. CRUMPACKER. Do you refine any Louisiana sugar?

Mr. STILLMAN. Yes.

Mr. CRUMPACKER. Do you pay the same prices for Louisiana sugar that you do for other sugar in the market?

Mr. STILLMAN. Yes, sir; when we have to.

Mr. CRUMPACKER. Does the American Sugar Refining Company buy the bulk of the Louisiana product?

Mr. STILLMAN. I am not in their confidence. I do not know.

Mr. CRUMPACKER. Do you know whether they refine the bulk of it?

Mr. STILLMAN. I do not; not from my own knowledge.

Mr. CRUMPACKER. Has the American Sugar Refining Company a refinery in Louisiana?

Mr. STILLMAN. It is said so.

Mr. CRUMPACKER. Yes. Now, Mr. Stillman, in relation to the storing of sugar, is it not practicable to store raw sugar and keep it for a time?

Mr. STILLMAN. Yes, sir.

Mr. CRUMPACKER. How long can it be stored?

Mr. STILLMAN. As long as you like, if you prepare it right.

Mr. CRUMPACKER. Practically all Cuban sugar and Louisiana sugar goes to the New York market in a raw state?

Mr. STILLMAN. Yes.

Mr. CRUMPACKER. So that sugar may be stored indefinitely, for that matter?

Mr. STILLMAN. Yes; practically.

Digitized by Google

Mr. CRUMPACKER. But it comes, you say, in such quantities and at certain seasons of the year so as to make the price low?

Mr. STILLMAN. Yes, sir.

Mr. CRUMPACKER. The producer or the seller desires to dispose of it?

Mr. STILLMAN. He has to. Generally those people are in debt.

Mr. CRUMPACKER. Yes; that is the reason.

Mr. STILLMAN. That is the reason.

Mr. CRUMPACKER. Generally their financial condition is such that they need to sell the sugar?

Mr. STILLMAN. Yes; they need to sell it; not only need to, but must.

Mr. CRUMPACKER. And the refiners, of course, avail themselves of the opportunity to buy as cheaply as they can?

Mr. STILLMAN. Yes.

Mr. CRUMPACKER. And in a way take advantage of the necessities of the producers?

Mr. STILLMAN. Yes; we are mean enough to do that.

Mr. CRUMPACKER. Yes; that is not an unnatural thing. Now, about the differential on refined sugar. That is supposed to be 12½ cents?

Mr. STILLMAN. Twelve and a half cents.

Mr. CRUMPACKER. Could not that be abolished with entire safety to the American refineries?

Mr. STILLMAN. And keep up the present tariff on raw sugar?

Mr. CRUMPACKER. Yes.

Mr. STILLMAN. I do not think so.

Mr. CRUMPACKER. What difference does it make whether there is any tariff on raw sugar or not, in relation to this 12½ cents differential on refined sugar?

Mr. STILLMAN. I do not quite understand.

Mr. CRUMPACKER. I say, what effect does the other tariff have on the interest of the refiner?

Mr. STILLMAN. If the raw sugar is taxed and the refined sugar is not taxed, the refined sugar will come into the market and displace the raw sugar.

Mr. CRUMPACKER. The refined sugar would come into the market. If it were put on the free list, then the refined sugar would come to the market, would it not?

Mr. STILLMAN. If it were on the free list we would stand our chance.

Mr. CRUMPACKER. You would take your chances. Now, I do not understand the logic of your situation. You have a differential which in fact would cover the entire waste in the process of refining, in addition to this 12½ cents, have you not?

Mr. STILLMAN. No; I do not think we have.

Mr. CRUMPACKER. Suppose, for illustration, that a differential is granted sufficiently large to cover all the waste that results from the process of refining; you would not need any differential above that, would you?

Mr. STILLMAN. Why should we not have a differential to cover the additional cost of labor and all the other expenses?

Mr. CRUMPACKER. But if you have free sugar you do not ask any differential to cover the extra cost of labor?

Digitized by Google

Mr. STILLMAN. No. With free sugar the way we would make our profit would be by reason of the very large increased demand for our product—the very much increased consumption.

Mr. CRUMPACKER. Yes; but you would have to meet the same competition. The foreign refiner would avail himself of conditions, or he would be in a position to be benefited by the same conditions?

Mr. STILLMAN. Yes; he would.

Mr. CRUMPACKER. You would have the same competition, then?

Mr. STILLMAN. We would. We would have the same competition.

Mr. CRUMPACKER. With free sugar you think you can compete successfully with foreign refiners?

Mr. STILLMAN. I think we can.

Mr. CRUMPACKER. But with taxed sugar, notwithstanding——

Mr. STILLMAN. You understand, I am not advocating that; I am not saying that the abolition of the differential would not hurt. But I say if we could have free sugar, all free sugar, we would take our risk.

Mr. CRUMPACKER. Can the American refiners refine sugar as cheaply for the American market as foreign refiners can?

Mr. STILLMAN. I am not a foreign refiner. I do not know.

Mr. CRUMPACKER. Then you are not prepared to say whether this differential is necessary, are you?

Mr. STILLMAN. No.

Mr. CRUMPACKER. You are not contending that it is necessary, are you?

Mr. STILLMAN. No, sir; I have not gone into the subject of the foreign supply of refined sugar to the market.

Mr. CRUMPACKER. Then you are not contending that the differential is necessary for your protection?

Mr. STILLMAN. I do not know. I am not insisting that it is necessary.

Mr. CRUMPACKER. No.

Mr. STILLMAN. Because in many cases the actual test of a thing disproves the theory. Theoretically, it is necessary.

Mr. CRUMPACKER. Is your company interested in the Cuban sugar production?

Mr. STILLMAN. No; we are not producers, if you mean that. We are interested to the extent that we would like to see it increased.

Mr. CRUMPACKER. Your company has no sugar land there?

Mr. STILLMAN. No, sir.

Mr. CRUMPACKER. Do you know of any members, officers, or stockholders of your company who are so interested?

Mr. STILLMAN. This is not a company; it is a private firm, and the members of that partnership are not interested in——

Mr. CRUMPACKER. It is a copartnership. Do you know whether the copartners, any of them, are interested in the sugar plantations and sugar production of Cuba?

Mr. STILLMAN. No; they are not.

Mr. CRUMPACKER. They are not?

Mr. STILLMAN. No; I do not think they have a dollar's worth in Cuba.

Mr. FORDNEY. You say you are interested in seeing the production of Cuba increased. Would you rather see the production of Cuban

Digitized by Google

sugar increased than to see the production of beet sugar in this country increased?

Mr. STILLMAN. I suppose you mean for the interests of my own business. I say, yes.

Mr. FORDNEY. No; for the masses of the people. You and I are both interested in the people of this country.

Mr. STILLMAN. No. As interested in the people of the United States, I would prefer to see the production of the United States increased, except in so far as the loss of production in Cuba brings a strain on our relations with Cuba that would in any way bring us under the danger of annexing Cuba to this country. I should hate to see that.

Mr. FORDNEY. You state that you feel that you ought to have that differential to protect you against the difference between the cost of labor abroad and the cost of labor here?

Mr. STILLMAN. I mentioned the cost of labor as one element.

Mr. FORDNEY. Do you not think that the beet sugar growers should have an equal amount of protection?

Mr. STILLMAN. I think they have more.

Mr. FORDNEY. What?

Mr. STILLMAN. I think they have much more.

Mr. FORDNEY. They ought to have it, ought they not?

Mr. STILLMAN. I am not objecting to giving them protection.

Mr. FORDNEY. What?

Mr. STILLMAN. I am not objecting to the protection of the beet sugar growers.

Mr. FORDNEY. But I thought you wanted a reduction, or free trade, on sugar.

Mr. STILLMAN. I said for our business.

Mr. FORDNEY. Oh, as a refiner?

Mr. STILLMAN. As a refiner.

Mr. FORDNEY. You are speaking from that standpoint and not in the interest of the masses of the people?

Mr. STILLMAN. I am speaking, as a refiner, of the interests of our business. I said as an American citizen I should like to see sugar free.

Mr. FORDNEY. A complete cessation of the production of either cane or beet sugar in this country, then, would increase your business as refiners?

Mr. STILLMAN. Yes, sir.

Mr. FORDNEY. And that is why you would like to have the difference in the tariff?

Mr. STILLMAN. That is why. I would like to increase our business.

Mr. FORDNEY. That is all I have to ask.

Mr. HILL. What is the consumption of sugar, per capita, in the United States, about?

Mr. STILLMAN. I would have to give you that from my memory of what is in Gray's Reports, and I think that is 77 pounds.

Mr. HILL. Seventy-seven pounds?

Mr. STILLMAN. Yes.

Digitized by Google

Mr. HILL. Do you have in mind the consumption, or the use of sugar in Great Britain, under free trade, per capita?

Mr. STILLMAN. I am under the impression it was something over 90 pounds.

Mr. HILL. Then your preference for free sugar would be because of its effect in developing other industries, besides the actual consumption, direct?

Mr. STILLMAN. Yes. I did not think I was suggesting any new idea to this committee. I think the committee is as well posted on these things as I am.

Mr. UNDERWOOD. It was testified here to-day that you could not store granulated sugar, or refined sugar—beet sugar. I want to ask you if water shipment of refined sugar has any effect on it.

Mr. STILLMAN. Any granulated sugar is hydroscopic.

Mr. UNDERWOOD. I did not hear you.

Mr. STILLMAN. I say it is hydroscopic. That is, it will absorb water, it will absorb moisture. If it is put anywhere where the moisture can penetrate the wood of the barrel, it will certainly not stand.

Mr. UNDERWOOD. Then it is more advantageous to refine sugar in this country than to refine it abroad and bring it here, is it not?

Mr. STILLMAN. By "abroad" do you mean the producing countries?

Mr. UNDERWOOD. I mean where it has got to stand water shipment to come into this country—at the seaboard.

Mr. STILLMAN. I doubt very much whether the water shipment from England, for instance, to this country would affect it.

Mr. UNDERWOOD. How about the water shipment from the Philippine Islands?

Mr. STILLMAN. They have not any refined sugar there to ship.

Mr. UNDERWOOD. I am asking you for information as to whether it does affect it.

Mr. STILLMAN. That would be a guess. It has never been tried, to my knowledge. We have shipped sugar from this country to Australia, and I presume it arrived there in good order, because the shipments were repeated.

Mr. UNDERWOOD. Then, in your judgment, shipment by water does not affect refined sugar?

Mr. STILLMAN. Not unless the moisture gets into the ship. It does not always get there. Iron ships sweat, and wooden ships do not—they are ventilated. The ships we shipped to Australia in were ventilated wooden ships.

Mr. POU. You spoke of the beet sugar people of the United States, and suggested the possibility of their getting a larger percentage of sugar out of the beets. Do you think that the percentage they get out now is not as great as it might be?

Mr. STILLMAN. Yes; that is my idea.

Mr. POU. How does the percentage that the refiners of America extract from the beets compare with the percentage that foreign refiners extract; do you know?

Mr. STILLMAN. I could only tell you that by reference to reports—Saylor's reports and Willett & Gray's reports. I am not sure. I

Digitized by Google

think there is a very great difference, but I do not recall it. Those things are all on record.

Mr. POU. That is in favor of the foreign refiner?

Mr. STILLMAN. In favor of the foreign beet sugar.

Mr. POU. Do you know why it is that the Americans do not extract as large a percentage of the sugar from the beets as they might?

Mr. STILLMAN. I have understood it is an agricultural problem. They do not do their agricultural work in a scientific manner. They will probably learn some day. I have no doubt they will.

Mr. POU. That, of course, adds to the cost of producing the sugar?

Mr. STILLMAN. The increase of the percentage of outturn very much diminishes the cost.

Mr. POU. That is all.

Mr. HILL. Do you export any sugar?

Mr. STILLMAN. We do not, I think. I do not know where the sugar goes to when it leaves.

Mr. HILL. You could export and get a rebate of the import duties, could you not?

Mr. STILLMAN. I suppose so. We export sirup and get a rebate on that—a drawback.

Mr. RANDELL. You spoke of exporting to Australia, I believe.

Mr. STILLMAN. Yes.

Mr. RANDELL. What was the extent of those exports?

Mr. STILLMAN. They were not very heavy. We made shipments of a few hundred barrels.

Mr. RANDELL. In shipping sugar from this country to Australia, you had no protection of the tariff?

Mr. STILLMAN. No. We got the drawback, and it was much heavier than it is now. I do not think that business has been done of late years. I was speaking of the olden times.

Mr. RANDELL. How long ago was that?

Mr. STILLMAN. It was fifteen years ago, I think.

Mr. RANDELL. From whom did you get the drawback?

Mr. STILLMAN. From the United States Government; from the Treasury.

STATEMENT SUBMITTED BY C. R. HEIKE, SECRETARY OF THE AMERICAN SUGAR REFINING CO., NEW YORK CITY.

WASHINGTON, D. C., *November 19, 1908.*

COMMITTEE ON WAYS AND MEANS,
House of Representatives, Washington, D. C.

GENTLEMEN: The American Sugar Refining Company desires to submit the accompanying statement in connection with the consideration of the tariff on sugar.

Your attention is respectfully called to the fact that the sugar-refining business is one of severe and fierce competition; that large numbers of people are employed in the different departments, and

Digitized by Google

that in the case of the American Sugar Refining Company attention is also called to the fact that the average holding of its stock amounts to less than 48 shares for each stockholder, of whom there are 18,852.

Any legislation hostile to the industry will be keenly felt by many. A careful consideration of the accompanying statements will, we believe, convince your committee that the protection at present afforded the industry is very small, but indispensable.

There apparently exists uncertainty as to whether the American Sugar Refining Company is interested in the beet-sugar industry of the United States. There is no mystery about it. The annual statement for 1907 contains an item which states the fact that the company is interested in the beet industry.

The American Sugar Refining Company in the extension of its business in this direction has done it solely for the purpose of keeping abreast of the general development of the sugar business, whether it be the refining of cane or beet sugar.

Furthermore, the company was sought after by the people who were interested in the beginning of the beet industry in this country to contribute financial aid and such technical knowledge as the company might have at their disposal for the development and prosperity of the industry and the community in which it is carried on, in which cooperation the company was willing to participate.

The interest of the American Sugar Refining Company in the beet-sugar factories of the United States is less than 29 per cent of the total beet-refining capacity for working beets into refined sugar.

The American Sugar Refining Company is not a party to any agreement, expressed or implied, with any competitor, either in regard to the regulation of production or the fixing of prices.

Respectfully, yours,

THE AMERICAN SUGAR REFINING COMPANY,
By C. R. HEIKE, *Secretary*.

REASONS ADVANCED WHY THE PROTECTIVE TARIFF ON REFINED SUGAR SHOULD NOT BE DISTURBED.

The following statements are respectfully submitted:

1. In the event of a reduction in the protection to the refining industry competition would first come from Europe. The cost of refining sugar in the United States is necessarily greater than in Europe, and for this reason adequate protection is imperative. The higher price paid in this country for labor not only directly affects the wages of the men working in the sugar refineries, but also increases the cost of all machinery, materials, and supplies used in the refining process. (See pp. 8, 9, 10.)

2. The greater part of the expenses in the refining operation are incurred for labor performed, whether the work be done at the refineries or in the preparation of the material consumed by them. Any decrease in the differential in favor of refined sugar, rendering necessary a reduction in the expenses of refining, would therefore fall heavily upon labor. (See p. 11.)

Digitized by Google

3. The machinery and many of the supplies used in the refining process are protected by a high tariff, thus increasing the price of the home products and compelling the refiner to pay considerably more for his needs than his European competitors. This unequal basis for competition between the refineries of this country and those of Europe renders necessary continued protection to the refining industry.

4. A large percentage of the raw cane sugar of the world's production finds its natural market in this country, and this condition has been further artificially encouraged by the preferential tariffs under which much of the sugar is admitted. As a result cane sugar now practically constitutes the sole supply of the refineries (as distinguished from beet sugar factories) of the United States. This raw material is much more expensive to refine and convert into white sugar than the beet sugar, which our European competitors almost exclusively handle. (See pp. 12 and 13.)

5. Not only is the actual cost of refining cane sugar greater than of refining beet sugar, in the matter of process, the number of men employed, etc., but the refining of cane sugar also involves a very much greater investment for additional filter houses, machinery, bone-black, etc. The capital account is thus considerably larger, and the depreciation charges also, than if the refineries were equipped to handle beet sugar only. (See p. 14.)

6. Under the present tariff it has been the purpose of the United States Government to benefit Cuba and the Philippines by admitting the sugar from these countries under a preferential duty. Inasmuch as the market for Cuban and Philippine sugar is necessarily largely confined to the United States, one of the immediate effects of a reduction in the protection on refined sugar would be to partially defeat the object of the preferential tariff and to force down the price of raw cane sugar so as to enable the refiners of the United States to compete with the refined beet sugar of Europe. It is therefore evident that a reduction in the protection on refined sugar would not only work to the disadvantage of the refining industry, but would also injuriously affect the Cuban and Philippine planters. (See p. 15.)

7. The margin existing in recent years between the price of raw and refined sugar has not been excessive, being only a fraction of a cent per pound. This fraction includes not only the cost of refining, but the losses of sugar involved in the refining process, the wear and tear and depreciation on the expensive machinery used, the cost of the packages in which the sugar is delivered to the market, and, finally, the refiner's profits.

8. Although the cost of the refining operations has gradually increased during the life of the Dingley tariff and is now materially higher than in 1900, there has been no increase in the margin between the price of raw and refined sugars. The margin of protection, therefore, has steadily decreased, and such margin as still exists is necessary to a fair return for both labor and capital. (See pp. 16 and 17.)

9. At the time that the Dingley tariff was framed the careful investigations conducted by the government committees convinced the majority in both Houses that the one-eighth of a cent protection

Digitized by Google

afforded to refined sugar was necessary and just. It would be illogical to reduce it at a time when this margin is considerably less, on average, than it has ever been before, and it is worthy of notice that refined sugar is about the only article among the necessities of life which is lower in cost than in former years. All other necessities, generally speaking, are higher in cost than formerly.

10. The recently framed Canadian tariff (1907) recognizes the necessity for still greater protection than that afforded by the Dingley tariff of the United States. The protection to the Canadian refiner under this tariff is more than twice as great as that under the Dingley tariff. (See p. 18.)

11. The evidence collected by the British tariff commission in 1907 proved that a protective duty on refined sugar was necessary in order to place the refining industry of Great Britain in a position to compete successfully with the refined sugar produced in Germany, Austria, France, etc. The protection suggested for this purpose was 1 shilling per hundredweight or about twice that afforded under the Dingley tariff. Inasmuch as the wages paid to labor are considerably less in Great Britain and still less in continental countries than in the United States, it is evident that the differential duty on refined sugar of 12½ cents per 100 pounds, which constitutes the present protection to the refining industry of the United States from competition with the countries above mentioned, can not be considered excessive. (See pp. 19 and 20.)

12. The removal of the protection now afforded to the refining industry would injure the industry as surely as competition from abroad has gradually undermined it in Great Britain. (See pp. 21 and 22.)

13. Unless the refining industry is adequately protected, refining will be gradually transferred to the points of sugar production. The refining industry of the United States will thus cease as an independent industry. Many of the beet sugar factories of Europe, as well as elsewhere, are now making directly granulated sugar for consumption. While the dfficulties are greater in the way of doing this in the case of cane sugar, there is no doubt that ultimately these difficulties will be overcome, with the resultant harm to the refining industry of the United States, unless that industry continues to be properly protected.

14. A blow dealt to the refining industry will not be confined to that industry alone. Very large sums are paid by the refiners annually for the materials they consume. The enormous expenditures for coal, for the transportation of coal, for boneblack, for sugar barrels, and many other supplies in smaller quantities furnish means of livelihood for thousands of men scattered throughout the entire country.

The idea is not uncommon that the refiner is benefited in competition with other countries by the duty on raw sugar. This is a great mistake. The duty on raw sugar operates in two ways to the disadvantage of the refiner. In the first place, it checks consumption, and inasmuch as the refining capacity of the United States is very much greater than that required to meet the needs of consumption, the duty results in smaller meltings than would otherwise be the case.

Digitized by Google

The fixed charges per pound of sugar are, therefore, higher and the cost of refining is indirectly increased. The duty on raw sugar also directly adds to the expenses of refining, as that operation can not be conducted without waste, and it is evident that the loss to the refiner from this cause varies directly with the cost of the sugar and, consequently, with the amount of the duty.

The impression has also gained ground that the refiner has been directly benefited by the lower tariff under which sugar from Cuba is admitted. This, however, is not the case. The United States is now able to draw very nearly the whole of the sugar needed for its consumption from Cuba, Porto Rico, Hawaii, the Philippines, Louisiana, and the domestic beet industry. These sources of production are all favored under the tariff and, consequently, the sugar can be sold to better advantage in this country than where no preferential tariff in their favor exists. The whole of this sugar is produced during a limited portion of the year and comes to market at essentially the same time. As a consequence, owing to forced sales in larger quantities than the market can readily take, the price of sugar in the United States has been lower than in Europe during the early months of the year, whereas formerly the price at the principal markets of the world was more nearly on the same basis. As a result of the pressure exerted upon the market just referred to, a portion of the reduction in the tariff which Cuba enjoys has been sacrificed, but the public and not the refiner has been benefited. This is clearly demonstrated by the fact that during the four years that the reduction in the tariff in favor of Cuba has been in force the margin between the price of raw and refined sugars has not increased; on the contrary, it has slightly decreased, the average margin during the period 1900–1903, immediately preceding the change in favor of Cuba, being 0.897 per cent, and during the subsequent four years, 1904–1907, 0.875 per cent per pound. Had the refiner himself absorbed either the whole or a portion of the concession made, the margin between the price of raw and refined sugars would have increased.

APPENDIX A.

The following extract taken from the report of the British tariff commission, 1907, section 2, shows the rapidity with which the refining industry in the continental countries of Europe has increased, and indicates clearly the competition which would be likely to arise with the product of the refiners of the United States in the event of any reduction in the protection on refined sugar:

> The extent of the development of foreign refining industries is shown by the following increases in the quantities of sugar refined in principal continental countries: In twenty years the German output has trebled, the Belgian output increased seven times, and the French output by 45 per cent. The Austrian output has doubled in the last ten years. The evidence shows that the principal factor in the development of the sugar industries of foreign countries has been the facilities afforded by this country for enabling them to take advantage of the rapidly growing demand for sugar in the United Kingdom.

The sugar production of Europe can be greatly increased. The opening of the markets of the United States to the refined sugar of Germany, Austria, Belgium, France, etc., would undoubtedly stimulate the production and refining of sugar in Europe generally, and

Digitized by Google

there can be no doubt that under such circumstances large quantities of granulated sugar would be exported to this country.

APPENDIX B.

Comparison of the wages paid in the refineries of Great Britain and those of the United States.

	Average wages paid in Great Britain per week.	United States equivalent of wages paid in Great Britain per week.	Average wages paid in the United States per week.
	s. d.		
Engineers	39 8	$9.52	$16.50
Boiler firemen	25 0	6.00	14.40
Ash men, boiler cleaners	22 0	5.28	12.00
Sugar boilers	36 6	8.76	16.15
Centrifugal men	23 6	5.64	11.20
Melting-pan men	23 0	5.52	10.80
Yard men	22 6	5.38	10.80
Warehousemen	23 6	5.62	10.80
Char-house men	23 0	5.52	11.16
Blow-ups	26 6	6.36	12.24
Bag-filter men	22 0	5.28	10.80
Liquor men	24 0	5.76	11.70
Average	25 11	6.22	12.38

Foremen in the United States are paid on an average $4.25 above the average wages shown for each station in the third column, whereas the foremen in Great Britain are paid on an average only 80 cents above the average wages shown for each station in the second column.

A comparison of the above figures shows that the wages paid in Great Britain in the refining industry are on an average only 50.2 per cent of those paid in the United States. The wages paid on the Continent are even lower, being probably not more than 75 per cent of those in the United Kingdom. The United States refiner therefore has to pay more than twice as much for labor as his European competitors.

The above detailed particulars of the wages paid in the refining centers of Great Britain were furnished by the well-known European firm of J. V. Drake & Co., sugar brokers.

APPENDIX C.

The wages paid directly for labor in the refineries of the United States amount to from 25 to 30 per cent of the total refining expenses. The cost of the barrels, etc., in which the refined sugar is sold and of the coal consumed in the refining operations together make up from 51 to 58 per cent of the entire refining expenses. Aside from transportation charges, the value of the barrels is very largely dependent upon the labor expended in their manufacture and that of the coal upon the labor of mining.

It is only fair to say also that a small portion of the increased cost of production is due to changes in the trade affecting varied and different forms of package and the higher grades demanded by the consumer.

Digitized by Google

APPENDIX D.

The quantity of raw cane sugar imported by most of the European countries is so small that it can be entirely disregarded. France imports about 100,000 tons of high-grade sugar, almost exclusively from her colonies. The imports to England have been steadily displaced by beet sugar, and are now less than 250,000 tons.

The following table shows the raw cane sugar imported into Great Britain for periods of twelve months at intervals since 1886:

Imports into the United Kingdom of raw cane sugar.

[In tons of 2,000 pounds.]

	1886.	1896.	1901.	1906.
Java	218,904	54,288	11,704	20,048
Philippines	32,368	78,568	2,800	6,272
British West Indies	36,176	42,896	38,248	70,840
British East Indies	49,112	90,720	9,800	14,056
All foreign countries	347,928	256,256	102,648	122,744
All British possessions	181,944	173,824	86,520	110,152
Total	529,872	430,080	189,168	232,896

Copied from summary of evidence and statistics of the report of the British tariff commission on sugar, page 500, International Sugar Journal, 1907.

These figures are important as showing the extent of practically the only European market open to cane sugar.

It is evident from the above that approximately 130,000 tons only of cane sugar from foreign countries in addition to that from British and French possessions can find a market in Europe.

APPENDIX E.

The two classes of raw sugars derived, respectively, from the cane and from the beet are not refined with equal facility. Cane sugar contains coloring matter which can only be removed by a costly filtration over boneblack. It also contains gummy matters which in the process of clarifying the sugar renders the use of an enormous number of bag filters indispensable. Both these conditions involve the use of much machinery and a vast investment in the refinery itself over that which is necessary when beet sugar is refined. In the latter case the operation is much more simple. The bag filters can be greatly reduced in number, and the filtration over boneblack entirely dispensed with. The ease with which white sugar can be made from this class of material is demonstrated by the work in the beet-sugar factories of the United States and elsewhere. All the factories in this country are now making granulated sugar, and not one pound of boneblack is used in the process.

The additional expense of refining cane sugar, making proper allowance for interest and depreciation on the extra buildings and machinery, amounts to about 6½ cents per 100 pounds more than the cost of refining beet sugar in establishments solely equipped for this purpose. This additional cost alone is about half the present protection on refined sugar.

Digitized by Google

The fact that the refineries of the United States have to handle almost exclusively cane sugar has necessitated the expenditure of large additional sums for filter houses, boneblack, boilers, and auxiliary machinery. This investment is at least 33 per cent additional to that required in European refineries equipped for refining beet sugar and has reached over $2,000,000 in a single refinery.

APPENDIX G.

It has been shown under Appendix D that the European market can not take from foreign countries, outside of their own possessions, much more than the 130,000 tons of cane sugar imported by Great Britain. This is less than one-tenth of the production of Cuba in 1907, when the Cuban crop was 1,428,000 tons. Under these circumstances it is evident that Cuba must either materially reduce its sugar production or continue in the immediate future to sell it to the refineries of the United States, as the markets of Canada are closed by the preferential tariff in favor of the British West Indies, and the countries of South America are producing their own sugar.

APPENDIX H.

The following table, taken from Willett & Gray's reports, gives the average prices of raw sugar, 96° polarization, and of granulated sugar in New York for the past eight years in cents per pound, together with the difference in price between the raw and refined sugar:

Price per pound of raw and granulated sugar in New York for past eight years.

Year.	Raw, 96° polarization.	Average.	Refined, granulated.	Average.	Difference.	Average.
	Cents.	*Cents.*	*Cents.*	*Cents.*	*Cents.*	*Cent.*
1900	4.566		5.320		0.754	
1901	4.047	3.969	5.050	4.866	1.003	0.897
1902	3.542		4.455		.913	
1903	3.720		4.638		.918	
1904	3.974		4.772		.798	
1905	4.278	3.923	5.253	4.708	.978	.875
1906	3.686		4.515		.829	
1907	3.756		4.649		.893	

For purposes of comparison, the years covered have been divided into two periods of four years each, and average prices calculated for each of these periods. The difference in the price of raw and refined sugar, as shown above, has been actually slightly less for the last four years than during the previous corresponding period, and as during the eight years under consideration the cost of refining has steadily increased, it is evident that the refiner's profit was a steadily decreasing one.

The process of refining is not one in which revolutionary advances can be anticipated. Such economies as have been made in the last twenty-five years have been principally due to operations conducted on a larger scale; to the introduction of mechanical improvements designed to reduce the cost of labor and the consumption of fuel.

Digitized by Google

In the last few years, however, owing to increased competition from the beet-sugar industry and the independent refiners, it has not been possible to operate the refineries at their full capacity. This condition, added to the higher prices paid for labor and material, has resulted in a smaller margin of profit and, consequently, greater need for protection.

APPENDIX I.

Comparison between the Canadian tariff of April 12, 1907, now in force, and the Dingley tariff of the United States of 1897, which is still in force.

	Canadian tariff.			Dingley (United States) tariff per pound.
	British preferential per pound.	Intermediate per pound.	General per pound.	
	Cents.	*Cents.*	*Cents.*	*Cents.*
Refined sugar	0.84	1.14	1.26	1.95
96° raw sugar	.525	.73	.835	1.685
Difference	.315	.41	.425	.265

The above comparison shows that the difference in the Canadian general tariff between refined sugar and 96° testing raw sugar is 0.425 cents per pound, whereas in the Dingley tariff the difference is only 0.265 cents per pound. The above difference does not represent the protection to the refining industry, inasmuch as it takes considerably more than 1 pound of raw sugar to make 1 pound of refined, and the duty on this excess of raw sugar has also to be paid by the refiner. When allowance is made for this, the difference between the two tariffs is even greater than the above figures indicate. The protection to the Canadian refiner is more than twice that to the United States refiner under the Dingley tariff.

APPENDIX J.

Although under the agreement reached by the Brussels convention all bounties previously paid by the participating countries were discontinued, a surtax amounting to 60 cents per 112 pounds was permitted on imported refined sugar. This was taken advantage of generally by all participants with the exception of Great Britain, with the result that the sugar-producing countries are in a position to maintain the price of refined sugar at home sufficiently high to enable the excess to be sold in open markets abroad at a slightly lower cost than that for which the same sugar could be refined there. Added to the surtax are the advantages of cheaper labor; the greater volume of business derived from the British in conjunction with the home markets, and the benefits which arise from refining at or near the point of production.

The following extracts from statements submitted to the British tariff commission (1907) show that the continental countries of Europe have advantages for exporting refined sugar which operate against the English refiner and would, to a very large extent, also operate against the refiner in this country if the protection now existing were disturbed:

Digitized by Google

The foreigners have this advantage: While they can send their sugar into our country, we can not, under the surtax, send any into theirs. The surtax of 2s 6d. per hundredweight not only enables the continental refiner to exact a price in his home market which gives him the opportunity of securing a small kartell bounty, but it completely shuts out our refined sugar from his market, while he has free access to ours, thus providing him with a clientele double the size of that available for the British refiner. A larger market means a larger output, and the reduction upon charges following upon increased output is an overwhelming advantage. I attach the greatest importance to this aspect of the question, and consider it not unlikely that continental refiners may be able to undersell us by reason of this alone, and that without "dumping" in the usual sense of selling below cost.

(Mr. Charles Lyle, section 124 of the report of the tariff commission on sugar and confectionery, 1907, vol. 7.)

In view of all this it seems to me that in order to recover the huge trade we have lost it is necessary to have some protection to the home sugar refining trade, and as a matter of equity if 2s. 6d. per hundredweight was deemed by the framers of the convention to be a fair surtax allowed to the foreigner, it would only be fair to grant a like preference to British refiners. At the same time less would be sufficient to very quickly restore the trade to this country, say £1 per ton surtax on foreign refined sugar—that is to say, the excise should be £1 less than the customs rate.

(Mr. L. A. Martin, section 27 of the report of the tariff commission on sugar and confectionery, 1907, vol. 7.)

Taxes, local rates, higher rate of wages, etc., all tend to increase the cost of manufacture in England, and these, with the advantages obtaining in continental countries, make it extremely difficult for the British manufacturer to meet the competition in his own market.

APPENDIX K.

The following paragraphs taken from the summary of the report of the British tariff commission, 1907, volume 7, show the effect of competition from the continental countries of Europe on the refining industry of England. A reduction in the protective duty now in force in the United States would open the way to similar harmful competition from Europe in this country:

The annual consumption of sugar in the United Kingdom has increased enormously. Fifty years ago it was 29½ pounds per head of the population; in 1885 it was 79½, and in 1906 it was 95¼ pounds. But the British refining industry has not only failed to keep pace with this great increase in consumption, but has declined absolutely in the last twenty years.

While the British refining industry has declined, the refining industries of Germany, Austria-Hungary, France, and other continental countries have greatly advanced, chiefly through the increase of the population and the growth of the sugar consumption in the United Kingdom. Fifty years ago practically the whole of the sugar used in the United Kingdom was refined here; twenty years ago we refined only 70 per cent, and in 1906 only 45 per cent, the balance being made up by importations of sugar refined in continental factories.

Digitized by Google

The following table shows the meltings in British refineries, the imports of refined sugar, and the annual consumption for the past twenty years:

Year.	Meltings in British refineries.	Imports of foreign refined.	Annual consumption.
	Tons.	*Tons.*	*Tons.*
1886	899,785	319,634	1,146,414
1887	909,903	319,072	1,173,338
1888	916,759	314,959	1,182,612
1889	899,124	449,411	1,282,660
1890	837,401	473,255	1,249,110
1891	847,758	544,929	1,335,576
1892	819,077	522,386	1,281,528
1893	785,000	557,514	1,255,250
1894	738,237	653,306	1,348,519
1895	768,260	707,535	1,402,409
1896	734,000	724,976	1,384,034
1897	654,732	772,984	1,378,516
1898	684,083	794,581	1,425,566
1899	617,801	868,025	1,447,326
1900	589,437	934,789	1,488,535
1901	582,084	1,044,315	1,502,548
1902	580,505	1,000,277	1,539,461
1903	595,943	925,783	1,465,345
1904	665,095	863,464	1,496,831
1905	641,087	746,360	1,353,796
1906	670,846	891,869	1,510,434

While the results shown by the above figures have been in part brought about by the bounty system prevailing in Europe, the meltings since the Brussels convention have increased but slowly and are now 229,000 tons less than they were twenty years ago, whereas the consumption during that time has increased 32 per cent.

APPENDIX L.

The refining industry can not flourish away from centers of production unless protected and encouraged by tariff. Unless such protection exists, refining will ultimately be all carried on at the point of production, inasmuch as it is far cheaper to make the sugar in the first instance sufficiently pure for consumption than to transport it in the form of raw sugar, with its accompanying impurities upon which freight must be paid and for which packages must be furnished, to a distant point where the material has to be rehandled and again submitted to every part of the process in its entirety.

In the event of a reduction in the differential tariff on refined sugar, the refiners of the United States have mostly to fear competition from the beet-sugar industry in Europe, as granulated, the standard form of sugar consumed in this country, can be very cheaply made in the numerous factories scattered throughout the sugar-producing districts of Europe. It has been demonstrated not only in Europe, but also in this country, that it costs very little more to convert the entire output of a beet-sugar factory into white granulated sugar than to place the product in the form of raw sugar upon the market. For this reason the factories of the United States now make almost exclusively granulated sugar. The additional cost does not compare with the expense involved in the conversion of the raw sugar into granulated in a separate establishment.

C. R. HEIKE,
Secretary American Sugar Refining Co.

Digitized by Google

F. M. HATCH, OF HONOLULU, REPRESENTING THE HAWAIIAN SUGAR PLANTERS' ASSOCIATION, SUBMITS STATEMENT RELATIVE TO HAWAIIAN SUGARS.

WASHINGTON, D. C., *November 19, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: F. M. Hatch, of Honolulu, on behalf of the Hawaiian Sugar Planters' Association, submits to the committee the following statement:

The statement made by Mr. C. A. Spreckles that Hawaiian sugars are sold at a rebate of three-eighths of a cent a pound is not correct. Hawaiian sugars are, in fact, sold in New York at one-tenth of a cent a pound off. This covers two-thirds of the Hawaiian output. One-third is sold in San Francisco, being all that that market will take, under a rebate of one-quarter of a cent a pound. The Crockett Refinery, an independent refinery controlled by Hawaiian interests, is the purchaser there. The rebate in New York of one-tenth of a cent, or $2 a short ton, is not in any sense a result of the tariff. It is a concession which it is considered reasonable to make in consideration that the purchaser, the American Sugar Refining Company, binds itself for a term of years to take all Hawaiian cargoes on arrival at the market price less this rebate. The Hawaiian producers are thus saved the danger of having to store cargoes awaiting a purchaser and the alternative of being obliged to make sacrifice sales in periods of a glut of sugar in the market. This course of trade has grown up in consequence of the great distance of Hawaii from market and the impossibility of selling the crop in Honolulu.

Mr. Spreckels's statement or intimation that the trust is directly or indirectly an owner in Hawaiian plantations is without a shadow of foundation of fact, so far as the undersigned is informed and believes.

F. M. HATCH.
Representing Hawaiian Sugar Planters' Association.

THE CARVER COUNTY SUGAR CO., CHASKA, MINN., STATES THAT FREE SUGAR WOULD CRUSH BEET-SUGAR INDUSTRY.

CHASKA, MINN., *December 3, 1908.*

Hon. S. E. PAYNE,
Chairman Ways and Means Committee,
Washington, D. C.:

Free trade in sugar would crush the domestic beet-sugar industry. Reduction in the tariff would cripple it seriously. We protest against the argument of eastern refiners for the first and against arguments of Cuban planters for the second. Sugar refined in this country from imported raws pays American labor half a cent per pound; that made from home-grown beets pays American farmers and laborers nearly 4 cents per pound. Taking the duty off sugar and putting it on teas and coffees does not relieve the consumer, but only destroys a great home industry and builds up none other here. Please incorporate this protest in your regular printed hearings.

CARVER COUNTY SUGAR CO.

Digitized by Google

Letters and telegrams of similar purport were received from the following: Iowa Sugar Company, Waverly, Iowa; St. Louis Sugar Company, St. Louis, Mich.; Holland Sugar Company, Holland, Mich.; Mount Clemens Sugar Company, Bay City, Mich.; C. M. McLean, Holland, Mich.

PIERRE J. SMITH, NEW YORK CITY, SUBMITS BRIEF RELATIVE TO REMOVING DUTIES FROM SUGAR.

NEW YORK, *December 3, 1908.*

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.

SIR: The present import duty on sugar was imposed for the purpose of raising revenue and for protection to domestic sugar industries.

If for raising revenue, I believe it would be better to have duties raised on the imports of tea and coffee, and, if necessary, reimpose the stamp tax on checks, etc.

By the present excessive duty on sugar, we prevent most advantageous reciprocity treaties with foreign countries, who are anxious to exchange their sugar for our manufactured goods and farm products. Cheap sugar would also benefit our farmers and increase largely our manufactures of preserved and canned fruits, candy, and other numerous articles in which sugar is used.

As a protection to our home industries, it seems entirely out of all proportion for us to raise about $50,000,000 per annum duty on sugar for this purpose, especially as the total production of about 750,000 tons Louisiana and beet sugar every year is not worth much over this amount in actual value. The protection is supposed to benefit the eastern refiners, Louisiana and domestic beet sugars, as well as sugars from Porto Rico and the Sandwich Islands.

For the eastern refiners it would be much better if they had free raw sugar and a duty of about one-eighth of a cent on imports of refined and raw sugars over No. 16 Dutch standard in color, or even free raw and refined, rather than the present duty, as far as the refiners outside of the "trust" are concerned.

As regards Louisiana, it seems almost a joke to protect these sugars, as they are so much under the control of the "trust" that the planters have to accept almost any terms and prices the local manager of the "trust" names. Outside independent refiners have at times endeavored to secure Louisiana sugars on reasonable terms, without result. In fact, the Louisiana planters would be better off in the end if they would dispose of their machinery and give their time to raising other crops.

As far as the domestic beet industry is concerned, it seems to me that an industry which after so many years still requires a protection of 100 per cent has proved itself unwarranted and detrimental to the general good of the country, especially when a large proportion of it is controlled directly or indirectly by the sugar trust. The advantages to the country from this industry have been very small, while the disadvantages have been very large and costly.

Digitized by Google

Although their sugars have been sold to the trust at one-tenth of a cent to three-eighths of a cent under the New York price on arrival, the Sandwich Island planters have made enormous profits during the last year, estimated at $15,000,000, on a crop of 450,000 tons to 500,000 tons, so their protection could certainly be largely reduced. Porto Rico could also stand a considerable reduction in sugar duties, and justice and fair treatment to the Philippines require the same in their case.

The present duties on sugar are entirely too high from any standpoint of fairness toward the country in general, and should be reduced or removed entirely.

I remain, yours, very truly, PIERRE J. SMITH.

SUPPLEMENTAL STATEMENT SUBMITTED BY CLAUS A. SPRECKLES IN ADVOCACY OF FREE SUGAR.

NEW YORK, *December 3, 1908.*

Hon. SERENO E. PAYNE,
Chairman Committee on Ways and Means,
Washington, D. C.

SIR: In a statement presented to your honorable committee on November 18 I submitted certain facts showing the advisability of a material reduction in, or the entire abolition of, the duties now imposed on imported sugar. I showed that with free sugar, refined sugar could be sold at an average of about 2 cents per pound cheaper than it is now being sold to the consumer. The consumption of the United States being 3,000,000 tons annually, 2 cents per pound, or $44.80 per ton, would mean a saving to the American people of $134,000,000 a year. The average per capita consumption of sugar is 80 pounds, so that the average family of five consumes, say, 400 pounds of sugar yearly, and, with free sugar, could save on this quantity 2 cents per pound, or $8 per annum.

Sugar is not a luxury, but a necessity. Why is it, then, that the Government sees fit to place such a heavy tax as this on a necessity? Certainly the people, as a whole, do not benefit by it, and if it is to raise revenue there is no good reason why such a heavy burden should be placed on sugar while other commodities are admitted free, or with comparatively low duties.

In view of the heavy burden imposed on all the people of the country by the heavy sugar tariff, the question naturally arises: "Who receives the benefit from this excessive duty?" When the subject is carefully analyzed, it is found that the "sugar trust" is the chief beneficiary of the present system, and that the practical result of the sugar tariff is to make possible abnormal profits for the "trust" at the expense of the consuming public.

In a letter to your honorable committee the "sugar trust" advances as the principal reason for maintaining the existing tariff the time-worn argument that their stockholders would be injured by a reduction in the duty. The directors of the "trust" seem to believe that the fact that the present large dividends to their stockholders (numbering in all only 18,052) might be reduced is a good reason why the 90,000,000 people of the United States should continue to pay an annual tax of $134,000,000.

Digitized by Google

The independent refiners, who are few in number, frankly state that they would be perfectly satisfied with free sugar and that they do not need any protection.

The people as a whole, therefore, may well ask why it is that they are compelled to bear this heavy tax, which benefits so few. The answer of the "sugar trust" protectionist is that the domestic sugar industry must be protected. They, however, begin by first discriminating against certain domestic producers. We refer to the domestic producer in the Philippine Islands (which is as much a part of the United States as Michigan or Louisiana), who has to pay on sugars shipped to the States the full duty less a reduction of only 25 per cent. In other words, with the exception of this reduction of 25 per cent, Philippine sugars have to pay the same duties as if they were imported from a foreign country. This effectually stifles the Philippine sugar industry and as the Philippine Islands are dependent on the American people for fair treatment, this instance can hardly be cited with pride as an example of the American's idea of a "square deal." The "sugar trust" has no interest in the Philippine Island industry.

The other domestic producers, Louisiana, Porto Rico, Hawaii, and the domestic beet sugar industry, supplied during the past year a part of our requirements of 3,000,000 tons annually, as follows:

	Tons.
Louisiana	335,000
Porto Rico	194,000
Hawaii	460,000
Domestic beet	440,000
Total	1,429,000

Porto Rico and Hawaii combined produced 654,000 tons of this total, and they need no protection.

With modern methods of cultivation and manufacture, these countries are so favorably located that they profitably produce sugar in competition with the world. The Hawaiians admit that during the past year they made $15,000,000 profits on their crop of only 450,000 tons, although they sold their entire crop under contract to the "trust" at 1.1 cents to three-eighths cent per pound under the New York price (which New York price was at times 20 to 40 points under the parity of the world's markets), and while, of course, they are in favor of a protective tariff, so as to enable them to make these enormous profits, this is not the popular idea as to the object of a protective tariff. The "sugar trust" is willing to help these planters in their fight for protection, as they control the price at which their product shall be marketed, and as cited above are able to secure it at considerably under the markets of the world. With free sugar, these plantations would continue to make a reasonable profit, and the people of the country, as a whole, would benefit.

As for Louisiana, this can hardly be called an "infant industry," they having cultivated sugar since 1823, and have only succeeded in getting the total production up to 335,000 tons. In 1894–95 they produced 319,000 tons. Last year, while they received a protection on foreign sugar that paid a full duty of 1.685 cents per pound for 96° test, they were selling their sugar to the "sugar trust" (and refused to treat with the independent refiners) at 90 cents per hundred

Digitized by Google

under the markets of the world, so that they were then receiving a protection of only a trifle over three-fourths cent per pound. The present crop will be larger than the last one, so that marketing their sugars under these conditions must have been profitable to them. On these figures a protection of three-fourths cent per pound would be ample, notwithstanding the fact that the methods of cultivation and the sugar mills are not modern in any sense of the word. With modern, up-to-date methods, it is believed that Louisiana could get along well enough without any protection. But those interested in the Louisiana sugar industry show no disposition to keep abreast with the times by having up-to-date sugar mills, run on scientific lines, but prefer keeping a strong "lobby" in Washington, so that the entire country may be taxed abnormally for their benefit. In effect, the Government is asked to place a premium on inefficiency.

As the "sugar trust" is able to buy Louisiana sugar at so much under the world's parity, it is plain to be seen why they are interested in the so-called "protection" to the Louisiana planter, which, theoretically, protects him to the extent of 1.685 cents per pound, but actually enables him to secure only a trifle over ¾ cent per pound of this amount.

This leaves only the domestic beet-sugar industry (which is controlled by the "sugar trust") to be considered. Last year the beet-sugar refineries produced 440,000 tons, distributed in part as follows:

	Tons.
California	63,847
Idaho	27,715
Utah	39,720
Colorado	183,345
Total	314,627

These refineries are favorably located and have nothing to fear from free competition with the world, and well-posted men, in a positon to know, claim that they can produce granulated sugar at 2½ cents per pound. Of course they, like Hawaii and Porto Rico, are anxious to have a high protective tariff, as it enables them to make large profits at the expense of the consumer. As a matter of fact, on account of most of the domestic beet-sugar plants being located in the Western States they, in addition to the tariff, have the advantage of freights to most distributing points, which in some cases is over ¾ cent per pound. They would have this protection, even with absolutely free sugar.

In States like Wisconsin, which produces 13,751 tons, and Michigan, which produces 76,078 tons, and of the several other States, which combined produce 35,000 tons, a total of 124,649 tons (which is equal to less than three weeks' meltings by Eastern refiners), it is perhaps true that on account of their unfavorable location, they can not produce beet sugar as economically as those more favorably situated, but is it right that they should locate where nature never intended that beets should be grown economically, and then expect the American people, as a whole, to be taxed 2 cents per pound, or $134,000,000 annually, on the sugar they use in order to support this small industry, the total valuation of the sugar which they manufacture being only $11,250,000. The average acreage per farmer devoted to sugar beets is small; for example, in Michigan it is only

Digitized by Google

4.7 acres. It would be far better to use this land for the purpose of cultivating more profitable crops. Their argument for protective duty might be used by some one who desired to produce sugar in Alaska and found it necessary to have 5 cents per pound protection in order to do so.

It is urged that the excessive duty is necessary in the interest of American labor, but, as a matter of fact labor receives no benefit from the tariff on sugar. A large percentage of the sugar beets grown in this country are cultivated by cheap Asiatic laborers, and the increased cost of the sugar consumed by the millions of workers in other industries far outweighs the trifling wages paid the few Americans engaged in growing beets. It is not pretended that the wages of beet cultivators is in any instance higher than that of farm laborers in general.

An effort is made by some to confuse the issue by saying that the duty on raw sugar should be left where it is, but the so-called "differential" on refined should be reduced. This argument is shattered by the statement of independent refiners that they are perfectly willing that there should be no duty on refined if there is no duty on raw sugar; secondly, by the fact that refined sugar receives very little protection under the present rates. The duty on raw sugar testing 96° is 1.685 cents, on refined sugar 1.95 cents. But on raw for every degree over 96° the government taxes 0.035 cent advance. But refined sugars test practically 100°, or 4° over 96°. Adding the increased duty for the increased test, we would have to add 14 points to 1.685 cents, or 1.825 cents, so it will be seen that even under the present rates independent refiners only have an actual protection of one-eighth cent per pound, while the "trust" have the same plus their special advantages.

In reply to my statement, showing the injurious effect of the present excessive tax on sugar on our export trade in articles in the manufacture of which sugar is an important material, it has been urged that under our customs drawback law the duty paid on imported sugar is refunded when such sugar is exported as a component part of any manufactured article. It is true that the drawback law is supposed to provide for a refund of the duty on sugar exported as part of manufactured articles, but the conditions relating to the use of sugar in manufacturing processes render this provision of no practical benefit. The sugar which enters into general consumption includes duty-free domestic cane and beet sugar; duty-free sugar from Porto Rico; imported sugar from Cuba and the Philippines, on which a reduction of the sugar duties is allowed, and sugar from other countries on which the full tariff rates are imposed. It is practically impossible for the manufacturer of articles for export to know which kind of sugar he is using, or to keep the various kinds of sugar separate, so that he can be sure that a certain quantity of imported duty-paid sugar is contained in a particular shipment of his exported products.

Even if it were practicable for the manufacturer to use only duty-paid foreign sugar, the trouble and expense involved in complying with the regulations governing the payment of drawbacks would in most cases make it unprofitable to recover the duty.

Under the present drawback law and the regulations issued by the Treasury Department to carry it into effect, imported raw sugar en-

Digitized by Google

serving the exported articles, must, in order to insure the collection of the drawback, be identified. The word "identify," as used in the law, is construed by the Treasury Department to mean that the manufacturer of the articles intended to be exported must swear that certain specified imported duty-paid materials actually entered into the manufacture of such articles. Compliance with this condition would be practically impossible unless the packer knew in advance that a portion of his product would be sold for export and arranged to use sugar which had been refined from raw sugar, paying the highest rate of duty assessed by the tariff.

The regulations prescribed for the identification of the exported materials require entries to be made at the custom-house at the port of export for each lot of exported goods, and the articles containing the duty-paid material must be inspected by customs officials. Certificates showing the importation of the duty-paid sugar, its delivery to the refiner, and its subsequent delivery to the wholesaler or dealer from whom the manufacturer purchases it, must be filed, together with the copies of the bill of lading covering the exported articles. Where the drawback exceeds a certain amount consular certificates showing the landing of the exported articles in a foreign country must also be furnished. Thus it can readily be seen that in view of the fact that the articles in the manufacture of which sugar is used are generally exported in small lots the recovery of the drawback is exceedingly difficult and, as a rule, unprofitable.

The collection of claims for drawback necessarily involves the employment of customs agents, whose charges represent a considerable percentage of the amount recovered.

In addition to the direct cost of collecting drawback on sugar, the interest on the amount paid as duties, which may not be refunded for a long period after they are paid, is a considerable item of loss.

Some relief from the present difficulties of collecting drawbacks would be afforded by the amendment of the drawback law, as provided for in the bills introduced in Congress by Hon. William C. Lovering, of Massachusetts; but under any conditions the domestic manufacturer using duty-paid sugar will be at a disadvantage in competing in neutral markets with foreign manufacturers enjoying the privilege of free sugar.

Yours, very truly, CLAUS A. SPRECKELS.

HON. JESSE OVERSTREET, M. C., SUBMITS PETITION FOR FREE SUGAR FROM THE W. W. BACON COMPANY, WHOLESALE GROCERS, INDIANAPOLIS, IND.

INDIANAPOLIS, IND., *December 10, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The undersigned respectfully ask for the removal of the duty from raw and refined sugars, in the interest both of the 80,000,000 consumers of the country and the manufacturing industries in which it is an important material. This tax amounts to 2 cents per pound on refined sugar.

Digitized by Google

We would submit that such an exorbitant tax is not justified by the conditions relating to the production or refining of sugar in this country. Leading sugar refiners have testified that they need no tariff protection against foreign refiners, and that the abolition of the duty on sugar would so greatly increase consumption that their industry would be directly benefited.

The production of sugar in this country is very small in comparison with the annual consumption, and there is no good reason why all the people should be heavily taxed in the interest of one industry.

The relatively high price of sugar operates to prevent its more general use in the manufacture of preserved fruits of all kinds, and by adding to the cost of these articles limits their consumption. While this is the greatest fruit-growing country in the world, our exports of jams, jellies, etc., are comparatively small, as we can not compete in neutral markets with countries like Great Britain, which have the advantage of cheap sugar.

We believe that this is a matter which should be decided by Congress in favor of the policy which will benefit the greater number of the people, and that the interests of the consumers should receive the consideration to which they are entitled. The tax on sugar is paid wholly by the consumers, and is an unnecessary burden on one of their principal articles of food. The repeal of this tax would therefore be an unquestioned advantage to the people of the entire country.

THE W. W. BACON CO.

A similar petition was received from Kuhn & Bro. Company, Pittsburg, Pa.

CLAUS A. SPRECKELS, NEW YORK CITY, SUBMITS ADDITIONAL STATEMENT RELATIVE TO SUGAR DUTY.

NEW YORK, *December 24, 1908.*

WAYS AND MEANS COMMITTEE,
House of Representatives, Washington, D. C.

DEAR SIRS: Referring to the statements of the American Sugar Refining Company, I would respectfully submit the following for your consideration.

First. It is claimed there is severe competition in this country. Even granting this, I can see no argument for keeping up an excessive duty, but I claim the actual competition is small, and outside of the Federal Sugar Refining Company and the Warner Sugar Refining Company, and possibly Arbuckle Brothers, the "trust" directly or indirectly control the balance.

Second. Protection is asked for the large number employed. The number employed in the actual refining is really small, and outside of the actual refining the same number would be employed in handling whatever sugar the country consumed.

Third. Regarding protection for the 18,852 stockholders of the American Sugar Refining Company, I believe that if the company were managed as it should be, the stockholders received all the benefits they should, the entire protection under the tariff would be made up in this way.

Fourth. It is claimed labor, materials, supplies, etc., are higher here. As far as labor is concerned, I claim that the greater efficiency

Digitized by Google

The articles used outside of raw sugar, coal, water, barrels, bags, boneblack, play but a small part in the cost and can not be considered as much of a factor.

Fifth. It is claimed it is more expensive to refine cane than beet sugar, while in the trade raw cane sugar brings a premium over beet, and the refined product sells at 10 to 20 points over beet.

They claim the extra cost of refining cane is 6½ cents per 100 pounds. If so, they net 3½ to 13½ points more for cane than beet refined. As the latter is not filtered over boneblack, it can not be used for many purposes, and also does not carry well.

Sixth. They state that free sugar would be bad for Cuba and the Philippines, but I claim raw sugar can be produced cheaper in these islands than anywhere else, and believe that if we had free sugar it would not be many years before we could ship refined sugars to Europe, made from Cuban and Philippine sugars. The consumption would also increase to such an extent that we would require more sugar from Cuba and the Philippines every year. I believe Europe has reached its limit, as far as cost of producing sugar is concerned, and same is likely to increase, rather than decrease, in the future. Some authorities predict we will have no grain to spare for export before many years, so Europe will have to raise more grain, etc., than at present.

Seventh. It is claimed the margin of profit has been small, but this was not on account of the tariff protection, but resulted mostly from poor mangement and attempts to kill any independent competition. The above is the cause of the small margin, and as far as having to control production, owing to competition from domestic beet and independent refiners the usual increase in consumption of about 4 to 5 per cent has or will soon take care of that trouble. The consumption has increased about 500,000 tons within the last five years, while the new beet and cane competition mentioned has a capacity of about 500,000 tons, and the "trust" is interested in some of the new beet plants.

Eighth. I will admit the one-eighth cent protection is required under the Dingley bill, but would not be with free sugar, and all we would require then would be a countervailing duty equal to any direct or indirect bounties which foreign countries might allow their producers.

Ninth. There is no fair comparison in quoting Canada with this country. They consume only 200,000 tons, against our 3,000,000 tons per annum.

As regards England, they are so near the Continent they do not have the same protection in freight that we do, and their own refineries are not up to date or to be compared in any way with ours.

Tenth. I claim refined cane sugars can not be made to advantage on the plantations, and experience has shown that it is best to ship the raws to places in the United States where there are refineries which can handle large quantities at any time. For this same reason the Hawaiian planters have their own refinery at San Francisco, instead of making refined in the Hawaiian Islands.

Eleventh. I agree that all refiners are not benefited by the duty on raws, but the "trust" are especially, in their purchases in Hawaii and Louisiana, under the present tariff.

Digitized by Google

I am in favor of free sugar as soon as possible, and believe the duty could be reduced at once to basis of 1 cent for 96° sugar without harming anyone.

I remain, yours, respectfully,

CLAUS A. SPRECKELS.
FEDERAL SUGAR REFINING CO.

WISCONSIN SUGAR PRODUCERS SUBMIT PROTEST AGAINST REDUCTION OF PRESENT SUGAR DUTIES.

MILWAUKEE, WIS., *December 24, 1908.*

Hon. SERENO E. PAYNE, *M. C.*,
Chairman Ways and Means Committee, Washington, D. C.

DEAR SIR: On behalf of the beet-sugar producers of Wisconsin, consisting of four independent beet-sugar factories, representing an investment of $3,000,000, 800 employees of these factories, and 8,000 independent farmers who grow beets and have invested $400,000 in beet implements and devoted much time to learn beet culture, I protest against any further reduction or concessions from the present tariff schedule on sugar, and request that the concessions made from the Dingley rates be reinstated, for the folowing briefly stated reasons:

Protection is necessary, equitable, and proper for the one fact of higher cost of labor in this country, which the following figures show:

First. Farm labor in the United States costs from $1.50 to $2 per day.

Equally efficient farm labor in European beet-sugar producing countries costs from 48 cents to 96 cents per day.

Farm labor in the tropical cane-sugar producing countries costs from 20 cents to $1 per day.

Considering the low-priced tropical labor only half as efficient as American labor, the cost of American labor averages over 400 per cent higher, while it averages over 100 per cent higher than the European labor. Same holds good for factory labor.

Second. Ocean freights to this country on sugar are so insignificant compared to cost of production that they are no offset to the cheaper foreign labor.

Third. The continuance and further development of the beet-sugar industry in the United States requires protection.

The principle of protection can be justly applied to sugar under the following propositions:

First. Sugar is an agricultural product that is now and always can be successfully grown and manufactured in the United States.

Second. The present home production is less than the home consumption; no sugar is exported.

Third. Sufficient definite protection will therefore assure the further development of the beet-sugar industry in this country.

Fourth. Further development will stimulate the improvement of farm machinery and factory appliances that will work toward a reduction in cost of manufacture.

Digitized by Google

Fifth. It is one of the few items on the present tariff list that is of actual benefit to the American farmer.

Development of the beet-sugar industry is desirable because:

First. Sugar-beet culture and beet-sugar manufacture give employment to a large amount of labor.

Second. It is therefore a direct benefit to two great classes of our people, the farmer and the laborer.

Third. The culture of sugar beets improves the soil, teaches intensive cultivation, encourages crop rotation, and offers the grower a comparatively certain crop at a fixed market price.

Fourth. The operating of beet-sugar factories during the winter months offers employment to farm labor that is otherwise more or less without employment at that time.

General propositions in favor of maintaining the present tariff on sugar are:

First. It is a large revenue producer, without being a hardship on the people. The cost of sugar in the United States to the consumer is comparatively lower than in any foreign country.

Second. Because everybody consumes sugar, the tariff tax is a uniform tax and therefore a fair tax and amounts to only 70 cents per capita per annum.

Third. Maintenance of a sufficient tariff would work for the continuance of independent manufacturers and always insure to the people of the United States a supply of sugar at reasonable prices, while a reduction will tend toward monopoly and the positive destruction of the home industry.

Fourth. The Republican party at two of its national conventions since 1896 promised continued protection to sugar producers and thus encouraged investments of capital in the United States which now exceed $60,000,000.

Fifth. Concessions made since the Dingley tariff was enacted now operate to reduce this tariff by one-third. It is a moral obligation of the Republican administration that these concessions be reinstated. This would materially aid more rapid development of the beet-sugar industry and hasten permanent lower prices of sugar to the people of this country.

Sixth. The so-called "sugar trust" is only a refiner of imported raw sugar and therefore not a beneficiary of the tariff on sugar.

I respectfully request that this protest be printed and considered as part of regular hearing.

Respectfully submitted.

WISCONSIN SUGAR COMPANY,
R. G. WAGNER, *President.*

BRIEF SUBMITTED BY TRUMAN G. PALMER, SECRETARY OF THE AMERICAN BEET SUGAR ASSOCIATION.

WASHINGTON, D. C., *December 24, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: At the time the recent sugar hearings were under way before this honorable committee I was in Europe, where I had

Digitized by Google

gone for the purpose of looking into the beet-sugar industry of that country. On November 17, the day that Messrs. Atkins, Spreckels, and Stillman appeared before you, I was interviewing Mr. Henry Millington Drake, the Paris member of the sugar brokerage house of J. V. Drake & Co., said to be the largest sugar-brokerage house on the Continent, with headquarters at London, Magdeburg, and Paris.

I will state in this connection that while I had many letters of introduction to European sugar people of local reputation only, my time was limited and I endeavored to spend it with people who had national or international reputations in the sugar world and whose opinions would carry weight with anyone who might be conversant with the sugar industry.

While Messrs. Atkins, Spreckels, and Stillman were telling you that freer sugar from Cuba and the rest of the world to the United States would injure no one, Mr. Drake was telling me quite a different story. The following, taken from the notes I made immediately after the interview terminated, throws considerable light on the prevailing sentiment of European sugar authorities:

Found him thoroughly well posted on world sugar conditions. Says it cost Great Britain £3,000,000 a year by reason of her having brought about the Brussels conference, but it quieted and settled the sugar situation, which was in a nervous condition on account of European bounties on sugar. Says Germany could easily produce a million more tons of sugar per annum, but all European nations and sugar men seem to wish to preserve a normal market. Says that since the Brussels convention the up-to-date cane-sugar people throughout the world have been making money hand over fist.

So anxious was Great Britain to keep things settled, that to renew the convention and get Russia into it, she allowed Russian bounty-paid sugar to come into Great Britain free of countervail. Firmly believes that any great reduction of United States duty on either Cuban or Philippine sugar would result in such a demoralization in the sugar world as has never been seen. In reply to my statement that in apparent good faith some prominent Americans contended that to let in a few hundred thousand tons from the Philippines free of duty would injure no one, he said: "Tell those gentlemen, with my compliments, that they know nothing about it. You have already reached the danger line. You now import but two or three hundred thousand tons of full-duty-paid sugar. Once cut this off so that you import no full-duty-paid sugar and find your market filled without absorbing quite all the Cuban sugar, thus forcing their surplus onto the world's markets—be it even a few cargoes only—and the markets of the world will go to pieces in a jiffy. A hundred or two hundred thousand tons of Cuban sugar forced upon an already overstocked market, and the world market would slump not less than one-half cent per pound immediately, and probably much more. People who have not studied the question carefully have no conception of the sensitiveness of the sugar market. You can not compare the sugar situation with that of other food products. Of those we can scarcely produce enough to supply the world—of sugar, we could produce enough in one year to supply the world for many years. Each nation in Europe, for economic agricultural reasons, would like to double its sugar product, but in order not to demoralize the market, each is trying to hold its output in check. It is to be hoped that while Europe is exercising the greatest possible restraint on production, in order to maintain living prices, you in America will not upset everything by further stimulating the output of Cuba or the Philippines.

My attention was also called to the fact that in December, 1907, the world's sugar statisticians began to lower their estimates of the coming crop and by March, 1908, had cut their estimates by some four or five hundred thousand tons, with the result that during that three-months period the Hamburg price of sugar increased more than 40 cents per 100 pounds, and it was pointed out that if such a cutting down of surplus sugar would raise the price 40 cents per hundred, the converse was true, and an increase of similar proportions in the

Digitized by Google

world's sugar production, with a market already oversupplied, would reduce the world price of sugar probably much more than 40 cents per hundred.

Mr. Drake but echoed the sentiments which had been expressed to me by the greatest sugar experts in Germany, Austria-Hungary, France, Belgium, and Holland. I had met with it on all sides—government officials, sugar statisticians, editors of sugar papers, raw-sugar manufacturers, sugar refiners, sugar brokers, and officers and chemists of the various sugar associations of Europe—thus including the best-posted sugar men in the world, when it comes to considering world conditions.

The majority of these men have made the sugar industry their life work, as did most of their fathers before them. They were born and bred in a sugar atmosphere. Three-quarters of the beet sugar of the world, and, in fact, nearly one-half of the world's total output of sugar, is produced in Europe, which is the only country that produces beet sugar for export. With a limited world market already oversupplied, a comparatively small variation in the world crop of sugar makes such a difference in the price of this commodity as to mean vast sums of money to the sugar industry of Europe. Europe's home markets are fully safeguarded by protective tariffs, but when the sugar producers reach out to sell their exports in other markets, they are met with the cheap labor competition of the Tropics. They have seen Java, with no tariff concessions whatever, drive European sugars out of China, practically out of India, and partially out of Persia. A 20 per cent reduction by the United States to Cuba has been seen to result in making that island the greatest cane sugar producing center in the world. The sugar men in Europe know the almost untold millions of acres of undeveloped cane lands in both Cuba and the Philippines, and their training teaches them that freer trade relations between either of these islands and the United States means an almost limitless increase in sugar production, with a consequent lowering of the world price of sugar. At least that is the way they put it to me, and the statements of people so widely separated being in such accord, one could not doubt their sincerity, even if so inclined.

From my notebook I quote concerning one French sugar manufacturer, who evidently knew more about the islands than he did about the actions of our Congress:

> Impossible to believe American Congress would consider lowering duty on Philippine sugar into home country, considering immense possibilities of the Philippines. Really could not believe our public men so unfamiliar with the possibilities of the Philippines, or of political economy, or benefits of beet culture, or so reckless of public opinion, or so daring as to injure so important a home industry. Could not believe any legislator would even introduce such a bill, on account of the ignominy which would thereby cover him. Perfectly amazed and almost speechless when I informed him that a 75 per cent reduction bill had not only been introduced at each Congress during the last six years, but was passed twice by the lower House. Says the enormous indirect economic advantages of the industry are fully appreciated by the public men and political economists of France.

A distinguished English sugar man, who went as a member of the British royal commission to the West Indies to study how their conditions could be improved, told me he looked for no material increase of sugar production in Hawaii, but looked for Porto Rico to go to 500,000 tons. No material increase in Cuba unless we granted them further tariff concessions.

Digitized by Google

With Philippine sugar on our free list, he would expect a tremendous exploitation there, which would upset our national revenues, as well as the sugar markets of the world.

To illustrate his ideas concerning the loss of revenue feature, he said that some years ago the British Government decided to allow colonial West Indian sugar to come in free of duty. After the ministry had decided on this measure, one of the ministers asked him what such a policy would cost the British revenues. He told him £1,500,000 per annum, at which the minister was thunderstruck, and called him before the ministry. They told him that on the little West Indian sugar coming in, it would make less than £150,000 difference. He told them yes, on present importations, but if given free trade all the British West Indian sugar would come to Great Britain, and that a great sugar exploitation of the islands would be induced. They saw the point and dropped the plan.

Sir Henry Bergne, now retired, was for many decades in the British foreign office, where he was head of the commercial department and examiner of treaties; was His Majesty's plenipotentiary at the copyright conventions at Berne in 1886 and 1896; acted in like capacity in 1886, 1890, and 1898 at the industrial property conventions held at Rome, Madrid, and Brussels; was the British commissioner at the Brussels sugar conference of 1898; and was His Majesty's plenipotentiary for signature at the international sugar convention at Brussels in 1902. He was knighted in 1903. Sir Henry said that he anticipated no great increase in European sugar production, but that the Philippines and Cuba were capable of a tremendous expansion, and would be so expanded if their sugars were allowed to enter the United States free of duty or if granted further tariff concessions by the United States.

Mr. Philippe de Vilmorin, of Vilmorin, Andrieux & Co., the largest sugar-beet-seed producers in France, expressed the same sentiments as did Sir Henry Bergne.

Doctor Ware, an American residing in Paris, has spent a lifetime in the study of sugar. He has what is said to be the most complete sugar library in the world. His spacious and elaborate study on the Rue de la Bienfaissance is lined on all sides, from floor to ceiling, with nothing but sugar literature, even the doors being shelved to correspond with the balance of the room, so that once in and the door closed no exit is visible. He was the United States juror for awards on sugar, teas, and confectionery at the Paris Exposition of 1900. He estimates that from his private fortune he spent $50,000 many years ago in trying to get the beet-sugar industry introduced into the United States. He has written a two-volume standard history of the beet-sugar industry of the world, as well as several technical sugar books and a standard work on sugar-beet seed, and he edits from abroad a technical sugar paper published in Philadelphia. He says that the possibilities of sugar production in both Cuba and the Philippines are simply stupendous, and that either of them can easily ruin the home industry if given the chance. He says that the Europeans fully realize the enormous indirect advantages of producing their sugar from home-grown beets, the importance of the by-products, the making of better farmers, the better crops of all other farming products by reason of rotating them with sugar beets. He says that the Europeans feel that if at home they could produce cane

Digitized by Google

sugar at a cost of 2 cents per pound or beet sugar at a cost of 4 cents per pound they would prefer to produce it from beets at the double cost price of the sugar, on account of the far-reaching value of the indirect advantages, as aside from rum there is no by-product in producing cane sugar and not one indirect advantage. In other words, that home-produced beet sugar at a cost of production of 4 cents per pound is actually cheaper for the nation at large than home-produced cane sugar (if it were possible to produce cane sugar there) at a cost of production of 2 cents per pound.

George S. Dureau, editor and proprietor of the Journal des Fabricants de Sucre, the leading sugar paper of France, is convinced that free sugar from either Cuba or the Philippines would mean the total extinction of our home beet and cane sugar industries. He reiterated to me his statement of December 18, 1901, and reproduced in the hearings of this committee, that sugar could be produced in Cuba at a cost of 1¼ cents per pound, and added that it is now being produced there at that figure or under. On January 22, 1902, when the Cuban reciprocity treaty was under consideration by this honorable committee, this recognized sugar authority was quoted (p. 168 of the hearings) as saying:

> If Cuban sugar is to enjoy a reduction in the tariff in the United States, it should not be difficult to picture the enormous impetus the Cuban industry would take on.

A week before this opinion was read to you, Mr. Atkins (who again appeared before you a few days ago in favor of further reducing our duties on Cuban sugar) delivered to you this opinion:

> The labor in Cuba is very limited, and I have very strong doubt in my mind whether there is enough in Cuba to cut and take off possibly a crop of 800,000 tons.

Those who have watched the Cuban sugar crop grow from a few hundred thousand to nearly a million and a half tons per annum under the stimulus of our reciprocity treaty with that country can judge as to the weight which should be given to the opinions of these two men.

Dr. Fred Sachs, of Brussels, secretary-general of the Société Générale des Fabricants de Sucre de Belgiques, is the recognized Belgian authority on sugar and one of the greatest sugar authorities in Europe. On account of his vast statistical work in connection with the world sugar production, he has been decorated by his home Government with the "Order of Leopold," and for the same reason he has been decorated by the French Government. Doctor Sachs is also editor of La Sucrerie Belge, the leading sugar journal of Belgium, as well as being secretary-general of the Société Technique et Chimique de Sucrerie de Belgique. He is a chemist and sugar engineer and is interested in several sugar factories in Belgium and elsewhere in Europe. Doctor Sachs is thoroughly conversant with the sugar-producing conditions and possibilities throughout the world and is fearful of the Philippines and Cuba. Quoting from my notes:

> Thinks they would flood us with sugar if we let it into our protected market. Would be like paying a big bounty to countries, one of which, without bounty and with most antiquated machinery and methods, has always been able to compete with the world. Foreign as well as American capital would rush in by many, many millions and demoralize the sugar markets of the world. Believes that with free sugar, or further tariff reductions, Philippines or Cuba would swamp our industry.

Digitized by Google

At Brussels I saw Monsieur Capelle, the Belgian minister of foreign affairs and permanent president of the Brussels convention. I quote from my notes:

Seemed to be well informed as to possibilities of sugar production in the Philippines and Cuba and of the agitation in favor of admitting their sugar to our markets under modified duties or free of duty; also as to the stimulating effect of such action in increasing Philippine and Cuban sugar production. Seemed to think that their possibilities were limitless and that the removal or reduction of our duties on their sugar would result in upsetting the world's sugar market. Said that the matter had been fully discussed and considered at the meetings of the conference.

At The Hague, Mr. Versteeg, the secretary-general of the Netherlands department of agriculture, said to be the best government authority on agriculture, informed me that in Holland the beet-sugar industry was held in the highest esteem by all thinking men, it being of the greatest value to farmers and stock raisers. He intimated that it would be a bold man, or set of men, who would advocate any policy which might result in injury to the home industry. Another official of the department, to whom he gave me a card, accorded me an interview, concerning which I quote from my notes:

Talked freely of the industry and its great value to Holland farmers. Said no thought would be given to a proposition which might in any way injure the home industry, and thus the Holland farmers, thousands of whom would not know how to turn if deprived of this crop.

Mr. Barbe, president of the Western Sugar Refining Company at Amsterdam, is the largest sugar refiner in Holland. His company refines from one and one-half to two times as much sugar as is consumed in the entire Kingdom of Holland. Mr. Barbe was a member of the Brussels convention. He informed me that he had tried to refine Javan cane sugar, but could not do so at a profit on account of the restrictions placed on it by the Dutch Government for the express purpose of protecting the home beet-sugar industry. For the sake of larger dividends he would like to be able to refine cheap Javan sugar, but the beet-sugar industry was a national blessing, which the Dutch Government protected by absolutely excluding even the Javan products, produced by Hollanders in a Dutch possession. He seemed much amused in contrasting our governmental policy toward the home and colonial sugar industries with that of his own country. Quoting from my notes:

He does not believe we will reduce the duty on either Cuban or Philippine sugar—is convinced that a 50 per cent reduction on Cuban or free Philippine sugar would be fatal to the home beet and cane industries. Can't believe that Congress would do such a thing.

I quote a paragraph from my notes concerning an interview with Mr. de Bussy, editor of De Indische Mercur, at Amsterdam, a paper devoted to colonial products, especially Javan:

Says Philippines can produce great quantities of sugar and are only waiting to get their status settled when large amounts of capital will go into the industry, if settled favorably to them. Exchanges with Philippine papers and keeps track of the industry. Predicts great increase in Formosa. Japanese good workers and work cheaply. Philippine land as good or better than that of Java.

Occupying high places in the sugar industry of Hungary are the Von Hatvanys, both noblemen, both members of Parliament, both

Digitized by Google

political economists of note, and both very wealthy. Three of their estates cover 50,000 acres, and all are equipped with up-to-date sugar factories, the one I visited being a 25,000-acre estate equipped with a factory of 3,000 tons daily capacity, said to be the largest in Europe.

The Hatvanys, one of whom was a member of the Brussels Convention, assume a little different, though none the less significant, position in regard to Cuba and the Philippines from that voiced by other political economists I met. Quoting from my notes:

They both feel that our affairs with Cuba and the Philippines and the outcome of it can have little or no effect on the European beet-sugar industry through the dumping of additional large quantities of cane sugar on the English market, as they firmly believe that any further concessions of tariff on these sugars would result in Great Britain closing her doors to them. Their only interest concerns the comparatively small quantity of Javan, Santo Domingan, and other sugars we now consume from tropical countries to whom we grant no tariff favors. They seemed to think that our legislators must surely consider this phase of the question, and would hesitate a long time before taking a step which would precipitate such a condition of affairs.

They were convinced that further tariff concessions to either of these tropical countries would greatly stimulate their production of sugar, and that the United States alone would have to bear the burden of her action, if such action were taken. I suggested that our tariff concession to Cuba was but 34 cents per 100 pounds, while the Brussels convention only provided for countervailing duties in case the gratuity amounted to 50 cents or more per hundred. They called my attention to the recent renewal of the convention, when Great Britain insisted that, notwithstanding the fact that Russia paid liberal bounties, and under the stimulating influence of these bounties had piled up a large surplus of sugar, Russia must be admitted to the convention, surplus and all, and Europe had to submit. They submitted that the laws of the Brussels convention were not the laws of the Medes and Persians, but were flexible and designed to be changed as often as circumstances might dictate, and that our pursuit of a policy that virtually paid a big bounty on certain tropical sugars which we consumed, and thus enabled the producers to dump their surplus on foreign markets at less than the cost of production and still make a profit on their full crop, would not be submitted to. Great Britain had forced Europe to a fair competition in the British market with British colonial sugars, and she would likewise force us and the sugars we favored, if occasion demanded.

In Paris I was told that one of the considerations which actuated Great Britain in admitting the importation of bounty-paid Russian sugar concerned reciprocal advantages granted by Russia on Russian imports of British India tea. In London I was questioned by an official of the British board of trade (a government institution) concerning the bounties paid by our state governments on the production of beet sugar. I told him that only the State of New York did this, and he said that that was his understanding, but that on account of this other governments had endeavored to get Great Britain to countervail against American sugar, not because we exported any, but as a matter of principle; but that on account of the friendly feeling existing between Great Britain and the United States Great Britain had declined to do so. He asked me to confirm

Digitized by Google

from official sources my opinion of there being only one State which granted a bounty, and advise him, which I promised to do. I mention this incident to show that the closest scrutiny of the sugar question is being observed, and that further tariff concessions to Cuba or the Philippines would probably result in closing all other world markets to their sugar.

I will not take up the space to quote the expressions of other equally noted people in the European sugar world, but will merely state that their opinions as to the enormous stimulation of sugar production which a further tariff concession to either Cuba or the Philippines would inevitably bring about coincides with those I have taken the pains to quote.

Among these notable people whom I met and with whom I discussed the subject were—

Otto Licht, of Magdeburg, the veteran German beet-sugar statistician whose figures and crop estimates on European beet-sugar are accepted the world over;

Professor Doctor von Lippman, the celebrated German sugar expert, of Halle, said to be the greatest sugar chemist and political economist on sugar in Germany; the author of a standard history of sugar and of a standard work on sugar chemistry; the first sugar refiner in Germany to produce refined sugar without the use of charcoal, and for which discovery he was decorated and made a nobleman; the managing director of a sugar refinery which annually turns out 50,000,000 marks' worth of sugar;

Privy Councilor Koenig, president of the Union Association of German Sugar Manufacturers and Refiners;

Doctor Herzfeld, the noted sugar expert, who is in charge of the experimental laboratory of the German Sugar Industry at Berlin, the greatest sugar school in the world;

Doctor Bartins, editor of Die Deutsche Zuckerindustrie, the leading sugar paper of Germany;

Mr. Zuckschwerdt, of the great sugar brokerage and banking house of Zuckschwerdt & Beuchel, of Magdeburg;

Doctor Stein, of Liverpool, the technical sugar expert, engineer, and chemist employed by the British Government and the sugar importers as an arbitrator of disputes on classification of sugar imports, and a director in a large British sugar refinery;

Mr. Czarnikow, of London, the greatest sugar importer in the world, with houses in London, Liverpool, Glasgow, Greenock, and New York;

Sir Nevile Lubbock, sugar broker, of London, who was chairman of the British royal commission which was sent to the West Indies to study out how their conditions could be improved, and who was decorated on account of his services in this commission, and who was the expert adviser of the British members of the Brussels convention;

British Consul Drake, one of the largest sugar brokers in Magdeburg, and member of the largest sugar-brokerage houses on the Continent;

Professor Strohmer, chief of the Austria-Hungarian sugar institute, conceded to be the leading sugar expert of Austria, and who believes the sugar world has far more to fear from the Philippines than from Cuba;

Digitized by Google

Doctor Mikusch, general secretary of the Austria-Hungarian Sugar Association, and editor of the Wochenschrift des Centralverines für Rubenzucker-Industrie, the leading sugar paper of Austria;

Monsieur Dormerque, administrator of the French syndicate of sugar manufacturers; and

Mr. H. C. Prinsen-Geerligs, of whom I will have more to say later.

These and others I met are thoughtful, studious men, men of culture, refinement, education, and science, many of them possessors of great wealth. They have devoted their lives to the study of the various phases of this most intricate subject. Largely by their brains and those of their fathers, Europe is being enriched by more than half a billion dollars a year, and has become independent of tropical sugar. They command the highest respect of their monarchs, as is evidenced by the fact that more than one-half of them have been decorated for services rendered the sugar industry. They also command the respect and esteem of their public officials and the people amongst whom they live. My regret is that they can not appear in a body before this honorable committee.

World's beet-sugar production and exportation.

Country.	Number of factories, 1906-7.	Production metric tons (2,204 pounds), 1907-8.	Average sugar production per factory, in metric tons.	Exports metric tons (2,204 pounds), 1906.
Germany	369	2,223,521	6,026	1,098,835
Austria-Hungary	201	1,409,357	7,012	740,258
Russia	277	1,403,300	5,066	93,854
France	255	719,900	2,823	280,306
United States	63	420,715	6,678	
Belgium	82	231,499	2,823	210,062
Holland	28	173,103	6,182	161,596
Italy	35	150,223	4,292	
Sweden	20	109,500	5,475	
Spain	33	106,000	3,212	
Denmark	7	52,700	7,529	
Roumania	5	21,100	4,220	
Canada	3	[a] 12,500	4,167	
Switzerland	1	3,370	3,370	
Bulgaria	1	3,080	3,080	
Servia	1			
Greece	1	2,088	2,088	
Total	1,382	7,041,956	[b] 5,033	2,584,911

[a] Estimated. [b] General average.

German figures by Otto Licht, Magdeburg. All other figures, except exports, by Fred Sachs, Brussels. Export figures, except Germany, by United States Department of Agriculture.

SUGAR-BEET AREA, EUROPE AND THE UNITED STATES.

About one-half of the sugar of the world is produced from European sugar beets which are grown from as far south as Spain, Italy, and Greece to a point as far north as the Russian province of St. Petersburg and an equally northern latitude in Sweden.

From east to west there are, of course, no climatic limitations, and spread out from the Atlantic to a point far into Russia there are over 1,300 beet-sugar factories, and the industry is now spreading into the Chinese province of Manchuria.

The corresponding latitude in America covers all the territory in the United States north from Norfolk, Va., on the east and Santa Cruz, Cal., on the west, as well as a goodly portion of Canada. However, owing to our mountain ranges the beet-sugar territory dips

Digitized by Google

from northeast to southwest, and in southern California several hundred miles south of Santa Cruz there are produced the richest beets in the world.

It would thus appear that with a strip of country nearly 800 miles wide and 3,000 miles long lying within the latitude in which Europe produces sugar beets there is no limitation as to the amount of sugar which we can produce from this humble vegetable.

THE BRUSSELS AGREEMENT AND THE CONCLUSIONS OF EUROPEAN SUGAR MEN CONCERNING FUTURE SUGAR PRODUCTION IN EUROPE.

The direct and indirect benefits brought about by sugar-beet culture are so great and so generally recognized in Europe that for a number of years prior to 1903 their large sugar-producing countries were engaged in a maddening scramble to increase their production. Realizing these enormous benefits, one government after another joined in paying larger and larger bounties on export sugar. The sums so paid out in bounties amounted to untold millions, and resulted in Great Britain securing her sugar at far less than the cost of production. While this was a most satisfactory situation for the manufacturers of confectionery, jams, jellies, preserves, and a myriad of other articles, it was ruining Great Britain's sugar-producing colonies. For the purpose of saving her colonial sugars from this unfair competition in British markets, Great Britain forced the signing of the Brussels agreement in 1902, under the terms of which all bounty-paying, sugar-exporting countries, except Russia, agreed to abolish their bounties in 1903. Since that time there has been but little change in the European sugar situation, and the people whom I met in Europe look for no material change in the European production of sugar in the near future.

Sugar production is increasing gradually in the sugar-exporting countries of Germany, Austria-Hungary, Belgium, and the Netherlands, while the production in France has been falling away somewhat, presumably owing to the generally acknowledged fact that it costs about 5 francs more to purchase and treat a ton of beets in that country than it does in Germany.

Russia, on the other hand, not being a party to the Brussels Convention of 1902, has continued to pay bounties and has greatly increased her output of sugar, bringing it up to nearly a million and a half tons, thus placing her on a level with Austria-Hungary, the second largest beet sugar producing country in the world. Russia is said to have a wonderfully rich sugar-beet soil, being very rich and very black, and hence it absorbs the utmost amount of the sun's rays. Should there be any great increase in European beet-sugar production, Russia, with her rich soil and low wage rate, is expected to be found in the lead.

Of the nonexporting sugar-producing countries, Spain, since transferring her colonial problems from her shoulders to ours, in 1898, has built up a home beet-sugar industry, and now, instead of importing sugar, has a small surplus for export, and has joined, or is about to join, the Brussels Convention.

Italy, during the past few years, has built up her beet-sugar industry from almost nothing to 150,000 tons, practically ceasing to be an importer, though she is not expected ever to become an exporter, and the same conditions prevail as to Sweden and largely as to Denmark.

Bulgaria and Roumania are regarded as promising countries for a further development to meet the requirements of home consumption.

Switzerland, on account of the mountainous character of the country, is regarded as out of the question, while Servia and Greece seem to be problematical.

Great Britain recently reduced her Boer war revenue tax on sugar for the reason that it was the most recent tax to be levied, and it was imposed with the distinct understanding that when her revenues permitted of a reduction in taxation this should be the first tax to be removed; and now that the Government has a large surplus revenue, the duty has been cut from about 1 cent to one-half of 1 cent per pound. The tax was imposed purely as a revenue measure and not with a view of protection. No reduction is made by Great Britain in favor of her colonial sugars.

Of late there has been no little agitation looking to the establishment of the beet-sugar industry in the several British islands, with a view to the gradual employment of their vast hordes of unemployed. Prominent sugar importers, who admitted that they had been lifelong followers of Cobden and Adam Smith, told me that they were now firm advocates of establishing the industry in the British Isles for the purpose above mentioned. One of the principal drawbacks to establishing the industry in Great Britain has been the preponderance of large landed estates and farm renters with year-to-year leases, making it difficult or impossible for factory projectors to secure long-time contracts for beets. Lord Carrington, president of the British board of agriculture, informed me that last year he secured the passage through Parliament of a bill providing for the purchase of English estates by the Government and subdividing and selling them off to farmers. He stated that under this bill he had purchased 100,000 acres during the past year, was now negotiating for a 25,000-acre tract, and expected to purchase at least 100,000 acres the coming year, thus gradually getting the lands into small ownership by the farmers who till them.

The general impression which I heard expressed in England was that that country would be on a protective-tariff basis within five years. Should this occur, and the cutting up of the lands continue, it is more than possible that the beet-sugar industry will become the leading agricultural industry of Great Britain, for it is claimed that the tonnage, sugar contents, and purity of the beets grown there are higher than in any country on the Continent, and she has cheap labor, fuel, and supplies.

NOTICEABLE CONDITIONS AND CHANGES IN THE EUROPEAN BEET-SUGAR INDUSTRY.

The beet-sugar industry of Europe is undergoing several changes. Formerly the factories were mostly small affairs and produced only raw sugar, which was shipped to central refineries to be refined, thus saving the installation of much expensive machinery at the beet-sugar factory proper. The great expense of the machinery for the final preparation of the sugar for market will be appreciated when I tell you that one refinery I visited in Germany is compelled to prepare its sugar in 20 different styles and sizes of cut loaf, tablets, crushed, powdered, cubes, etc., in order to satisfy the varied demands of the trade, thus requiring 20 sets of special machinery.

Digitized by Google

With the sharp competition of recent years, many of the smaller factories have been torn down or dismantled and their machinery consolidated in large plants in order to reduce the cost of production, and the new plants being erected are all of large capacity. With this change in the trend of affairs, the large factories began to educate the people to use granulated sugar, so that with a comparatively small additional expense in machinery the trade could be supplied with a product ready for consumption without the intermediary work and expense of the refiner. In most of the countries I visited I learned that they were succeeding in their efforts, and in France, Germany, and Belgium, at least, a goodly portion of the product of the beet-sugar factories is now white granulated sugar for direct consumption.

Another feature which has recently been inaugurated in Europe is the erection at a cost of $60,000 to $75,000 of quite a simple factory, which will extract 8 or 9 per cent of the sugar, leaving the balance of it in the cossettes and molasses, to be prepared and used for stock food. These plants cost much less than plants equipped with machinery to extract the highest possible percentage of the sugar in the beet, and what value they lose in sugar they claim to more than make up in the value of stock food. When Mr. Steffens first proposed the matter there he was laughed at, but it is claimed that each of the several factories so installed has proven to be successful. In Europe they secure a low price for sugar for export and pay a high price for imported stock food, and whether or not such plants as the above would be a success in the United States, where stock food is much cheaper than in Europe, is a question. It would be more likely to succeed in our New England and other Eastern States, where stock food is high, than it would in the West, where stock food is much lower.

In some portions of Europe the farmers are so anxious to grow sugar beets that in order not to show favoritism the factories, after receiving all the offers of acreage, allot each farmer his percentage, as is done with an oversubscribed bond issue. This condition tends to avoid demands for higher prices for the factory's raw material.

In some places it is still difficult to induce the peasant farmers to use machinery in the treatment of their crop, some even persisting in using a forked spade in digging out the beets. Nearly all extensive growers, however, use the most modern up-to-date machinery, including steam plows. Where land holdings are large, as in Hungary, these extensive growers contract to furnish all the way from a few hundred acres of beets up to as high as 3,000 acres, which was the largest acreage I learned of any one grower furnishing a factory. Two such growers to each American factory would have furnished us with more beets than all of our American factories sliced last year. These large growers raise beets largely for the indirect benefits secured by rotating beets with other crops and to secure the pulp to feed to their great herds of stock. If for their beets they secure anything like the direct cost of production, it is regarded as a paying proposition, though, of course, they get as high a price as possible.

Many of the factories are operated by large landed proprietors, who raise all kinds of agricultural products, run great herds of stock, operate dairies, flour mills which grind their wheat, and even breweries which work up their barley and hops, thus securing all the indirect advantages as well as the direct.

Digitized by Google

I visited one of the magnificent estates of Alexander and Joseph von Hatvany, located at Hatvan, Hungary. This magnificent 25,000-acre estate and its beautiful 120-room castle, now occupied by the Hatvanys, formerly belonged to the favorite prime minister of Maria Teresa, who often sojourned there.

The estate is equipped with a sugar factory which was slicing 3,000 tons of beets per day, and is said to be the largest in Europe. The factory consumes the beets from 70,000 acres, many thousand of which are grown on the Hatvany property, while individual growers furnish the factory with as high as 3,000 acres of beets each, which were analyzing 18½ per cent sugar.

The factory has been operated one hundred and eighty days in a season, about double the usual American campaign. This estate is also equipped with seven flour mills, which turn out 30,000 sacks of flour a day, with a brewery which uses up the barley produced, with 4,000 head of oxen and milch cows, with an extensive dairy, the milk being shipped to Budapest, and with an extensive system of narrow-gauge railway equipped with 600 cars.

I visited sugar-beet farms and interviewed the growers of seeds, among them Mr. Vilmorin, of Vilmorin, Andrieux & Co., of Paris, established in the seventeenth century, the largest sugar-beet seed growers in France, and Messrs. Rabbethge and Geisecke, of Klein-Wanzlaben, Germany, the largest growers of sugar-beet seed in the world, and the distinguished services of all three of these gentlemen in the interest of sugar have been recognized by their home governments. The sugar-beet seed industry has grown to immense proportions, but a description of either one of these farms would make a volume by itself. Sugar-beet land in this section of Germany is valued at 10,000 marks per hectare, or $1.000 an acre. The Klein-Wanzlaben farm covers 4,000 acres and it takes 400 head of oxen to work it. It is equipped with 60 miles of private railway, a 1,000-ton sugar factory, and a dozen or more buildings of huge dimensions for the preparation and storage of sugar-beet seed. Some of the great buildings are four and five stories high and filled with cleaning machinery from top to bottom. The laboratories and seed-testing rooms are of such dimensions as to accommodate several hundred expert operatives, and are equipped with all the machinery and appliances that science has evolved. The library and museum is as large as would be found in a good-sized American city, and is filled with books and relics and appliances pertaining to the industry that are of inestimable value. It was here that before starting the rounds of the building and farms the room was darkened and by means of stereopticon views they showed us what we were about to see. In their vaults they have a record and the pedigree of every mother beet from which they have furnished seed since the foundation of the firm, and they have photographs of every mother beet they have raised for nearly forty years. All these photographs and records are indexed and each can be referred to at a moment's notice. The same care and attention to the minutest detail of seed growing prevails at Vilmorin's farm, just outside Paris, where he has a beautiful chateau and resides during the summer.

Neither the sugar-beet seed growers nor other scientific men I met anticipate being able to materially increase the sugar contents of the beet. Without exception, they feel that about the limit has been

Digitized by Google

reached, and the sugar-beet seed growers are bringing every scientific effort to bear to raising the purity of the beet, in order that a greater proportion of the sugar in the beet may be rendered extractable.

LABOR.

In France ordinary factory labor is paid from 3 francs to 3 francs 75 centimes per day, equal to 58 and 73 cents United States currency.

In one place in Germany they were paying as high as 2 marks (48 cents) per day for women and 2½ to 3 marks for men, or 60 to 72 cents per day. In another section they were paying their agricultural laborers, who worked in summer from 4 a. m. until 9 p. m., 1¾ marks (42 cents United States currency) per day for men, and 1 mark 10 pfennigs (26¼ cents United States currency) for women. In addition to this these laborers were furnished with lodgings, with coffee three times a day, and with a nutritious dinner. I examined the lodgings, kitchens, lavatories, etc., which were furnished these laborers. The buildings were substantial, constructed of brick, with bare cement floors, but would hardly be considered attractive by the average American workman.

In Hungary factory wages run all the way from 40 to 60 cents United States currency per day.

In Austria the agricultural wage rate for women is as low as 12 to 15 cents United States currency per day, and for men 20 to 24 cents. Men, on piecework, working from 4 a. m. to 8 or 9 p. m., are able to earn from 60 to 70 cents per day.

Common labor in the factories is paid from 25 cents to 35 cents per day. Returning from Budapest to Vienna, I landed in a snowstorm, and the next morning many men were engaged by the city in shoveling snow. I learned that they were paid 2 kronen, or 41 cents United States currency, per day.

In order that you may compare the labor figures I have presented with those presented by Mr. Baird, I have tabulated Mr. Baird's figures, and append them herewith.

	United States.	Germany.	Austria.	France.
General foremen ... per month	$150.00–$160.00	$22.00–$37.50	.....	.....
Highly skilled laborer at the vacuum pans ... per month	[a]100.00–125.00	[b]18.00–22.00	[c]$18.00	[d]$40.00
Beet-sliced workmen ... per hour	.20¼	.05	.07	.....
Beet feeders ... do	.17½	.05½	.07	.....
At beet washers ... do	.17½–.22	.05	.05½	.....
At the beet cutters ... do	.20–.25	.....	.....	$0.08–.10
Kettle stirrers ... do	.22½–.27½	.....	.....	.05 7/10–.10
Head men at the diffusion battery ... do	.25	.06–.10	$0.03–.05	.09–.10
Helpers at diffusion battery ... do	.20	.04	.04–.06	.06–.07½
Under the diffusion battery ... do	.20	.05–.06	.04–.06	.08
Chief man at carbonation ... do	.25	.05	.05	.08
Filter press foremen ... do	.25	.....	.....	.08
Filter press men ... do	.17½	.04	.05	.07
At the evaporators ... do	.25	.04½	.05½	.08
At the centrifugals ... do	.20–.22½	(e)	.....	.....
Cleaning boilers, firing and stoking head boilerman ... per hour	.30	.....	.07	.07
Firemen ... do	.25	.06½–.07	.....	.....
Blacksmiths ... do	.40	.06½–.07½	.07	.08
Boiler cleaners ... do	.20	.....	.....	.06

[a] In general by the year.
[b] In general not by the year.
[c] Or $294 by the year.
[d] For three months and $10 extra for traveling expenses.
[e] Paid by the sack.

Digitized by Google

COST OF SUGAR PRODUCTION IN EUROPE.

Cost of production is a difficult thing to obtain in foreign countries, even under the most favorable circumstances, and I found it especially so in face of the publicity given to a letter from the State Department to our foreign consuls, asking them to secure such information for the benefit of this honorable committee. Europeans seemed to think that it was about like asking a prisoner to furnish the evidence on which to convict him.

The best specific evidence concerning its low cost of production in any one country is the figures of Otto Licht, compiled from the ruling daily prices on the Magdeburg Sugar Exchange, a most important institution, which fixes the market price of sugar in the very heart of the German sugar industry.

These figures show that in but one year since the Brussels convention has the Magdeburg price of sugar averaged above $1.97 per 100 pounds, and that with the exception of this one year, when abnormal conditions prevailed in the sugar world, the average price of sugar on the Magdeburg Sugar Exchange during the past six years, has been $1.85 per 100 pounds.

If these prices did not compensate the manufacturers for the direct and indirect advantages they secured from the industry, it is a fair presumption that the industry would have lagged. The following figures are those of Licht in German marks per 100 kilos, to which I have added the figures per 100 pounds in United States currency:

	Marks per 100 kilos.	United States currency per 100 pounds.		Marks per 100 kilos.	United States currency per 100 pounds.
1901-2	15.76	$1.71	1904-5	25.32	2.76
1902-3	17.54	1.91	1905-6	16.22	1.77
1903-4	17.38	1.89	1906-7	18.07	1.97

From sugar manufacturers I secured data for factories in different portions of Germany, which worked out a cost of production of $1.95, $2.11, and $1.98 per 100 pounds, respectively; in Belgium, $1.837; in Holland, $1.477 and $1.61; in Austria, $1.85; and in Russia, $2.355.

The larger of the above cost figures are those where the receipts from the sale of pulp, molasses, lime cake, etc., were not given, and hence could not be deducted from the total expenses before dividing the expense with the number of pounds of sugar produced. That this makes a very material difference in European cost of production is shown by the fact that in one case where I succeeded in obtaining the figures for the sale of by-products, they turned in a revenue equal to over 30 cents per 100 pounds on the sugar produced.

This factory ran a little over 65,000 tons of beets, made something over 22,000,000 pounds of sugar, and the total expense amounted to $396,066.50. Figuring on this basis, the cost of producing the sugar would be $1.79 per 100 pounds. The facts were, however, that the sale of receipts from pulp, molasses, and other by-products amounted to $58,064.35, and first deducting this amount from the total expenses, and then dividing the remainder by the pounds of sugar pro-

Digitized by Google

duced, showed a cost of production of $1.477 per 100 pounds, a difference of 32.2 cents per 100 pounds.

The average cost of sugar beets in the United States last year was estimated at $5.75 per ton, and the figures of the Department of Agriculture show an average extraction of 12.30 per cent, or 246 pounds per ton, thus making the extractable sugar in the beet cost $2.33 per 100 pounds before the beets are sliced.

It seems safe to conclude that the net cost of producing sugar in Europe is materially lower than the American beet-sugar factories are paying the farmers for the raw material. In fact, the farmers of the United States are receiving more money per pound of extractable sugar in their beets than the German sugar manufacturers are receiving for the finished product. It should not be concluded, however, that the people of Europe pay a less price per pound for the sugar they eat than do the people of the United States. On the contrary, owing to the levying of consumption taxes and other forms of internal taxation, the retail price of sugar throughout continental Europe is materially higher than it is in the United States.

GOVERNMENTAL INTEREST IN AGRICULTURE IN EUROPE.

In Europe the governments' intense interest in the tiller of the soil is not confined to sporadic efforts, but is constant. A failure of crops in any country of Europe would be a national calamity and the government sees to it that such a thing does not happen. In America the quality of the farmer's brains determine his success or failure. Our Department of Agriculture is doing heroic work. Innumerable experiments are made, and the results are conveyed to a goodly number of our farmers, and there the work might be said to cease. From that time on the farmer is left to himself, and whether or not he profits by this work concerns no one but the farmer himself. In Europe it is quite different. The reasonable presumption there is that unaided the peasant farmer can not produce as abundant crops as when aided by the skilled agriculturist, who sees to it that European lands are enriched by more brains and more fertilizer per acre than any other lands in the world.

Undoubtedly this continuity of effort and the results thereby obtained are best illustrated in their governmental work in connection with the production of beet sugar, which effort began in France and Germany over a century ago and has never ceased for a moment from that day to this.

By governmental aid in the scientific breeding of sugar beet seed they have raised the purity of the beet, and have more than trebled its sugar contents. They have increased the size of the beet to such an extent that 1 acre now produces as many tons of beets as were formerly harvested from 2 acres.

They have assisted the mechanical engineers and machinery manufacturers in perfecting their processes of extraction, so that the rich beets of to-day, manipulated by modern machinery and methods, yield three times as much sugar per ton as they did a few decades ago.

They have taught the farmers how to rotate their other crops with sugar beets with such success that if the sugar beet were now removed and all the land put into other crops the entire acreage would not

Digitized by Google

produce as much tonnage of other crops as is now produced in addition to their sugar beets.

The further result is that in addition to these vast indirect advantages Europe is saving two hundred and fifty to three hundred million dollars a year which she would otherwise send to the Tropics for sugar, in addition to drawing one hundred and fifty to two hundred millions a year in gold from other countries from the sale of the sugar she exports.

Nor have these efforts ceased. Farmers' meetings in country schoolhouses are still addressed by scientific agriculturists, who are teaching the farmers how to produce a greater and greater tonnage of sugar beets to the acre. Nor have they stopped the scientific work with the manufacturing end of the industry. At Berlin the Government owns what is admitted to be the greatest sugar institute in the world. The immense four-story building occupied by this institute was erected for this particular purpose, and is equipped with every known scientific instrument and piece of machinery used in sugar work, including a complete working beet-sugar factory in miniature. The laboratories are marvels and the library is said to contain every standard work on sugar which has ever been published, as well as all the current sugar publications of the world and tens of thousands of sugar documents and pamphlets.

Dr. Alexander Herzfeld, one of the world's most celebrated sugar chemists and experts, presides over this institution, assisted by a faculty composed of the ablest sugar experts in the German Empire. In showing me through the building, Doctor Herzfeld explained the workings of the institute. From one year's end to the other the most careful research work is conducted, analyzing and testing first the different commercial varieties of sugar-beet seed and then sending it out to various factories, where it is planted on soils of different character, later noting the tonnage yield, and finally the sugar contents and purity, thus determining which particular seed will give the best results in each character of soil. They study manufacturing processes and have experimental machinery constructed with the view of still further perfecting the manufacturing end of the industry.

They analyze the coal, the coke, and the various other factory supplies used by German beet-sugar factories, and, as Dr. Herzfeld remarked, they had even analyzed the wine which the factory directors drank.

Students in this school take minor positions in the German sugar factories during the ninety-day campaign and then return to their technical studies. The graduates of this school know about all that is to be learned concerning the technical working of a sugar factory, and having graduated they fill the highest technical positions in the factories and in the fields, and secure marvelous results for the industry.

In Germany a young man knows that if he perfects himself in the art of sugar making his future is assured, that even though every other country in the world produces its own sugar, and thus cut off German exports, his country will still continue to produce all the sugar the German people consume; and hence young men of brains and intellect are always attracted to this industry, raising its scientific standard and bringing it closer and closer to the point where the

Digitized by Google

science of the Temperate Zone can compete with the slave wage rates of the Tropics.

I asked a German official what would be the result if in following the policy already adopted in part by the United States—and now proposed by some to be more completely adopted—the German Government should make such tariff concessions to its South African colonies or to weak but independent sugar-producing tropical countries as would enable them to produce sugar and ship it into Germany in competition with German beet sugar. Instantly he replied: "It would create a revolution and wreck the Empire. Such a thought is preposterous—not to be dreamed of for even a moment. A chancellor who would suggest such a thing would be mobbed within twenty-four hours."

With protective tariffs and bounties and cartels and sugar schools and lectures to the farmers on how to secure the best results, the fostering protection and care of that Government to the sugar industry is real and substantial and both farmers and capitalists know what to expect.

The growth of this industry and its influence on the world price and per capita consumption of sugar, perhaps, is illustrated best by its record in Germany, figures of which, compiled from the tables of Otto Licht, are given below.

Taking these figures of ten-year periods from 1835 to date, it is seen that at the earlier date they had 122 factories that produced an average of but 11 tons of sugar per annum per factory, while now they have 369 factories which produce an average of 6,026 tons of sugar per factory.

The tonnage of beets per acre during this period has been raised from 7.7 to 12.73; the extractable sugar from 122 pounds per ton of beets to 346 pounds; the area harvested from 3,250 acres of beets to 1,110,457 acres; and the sugar produced from 1,408 tons to 2,223,521.

During this period the annual taxes collected on sugar have risen from less than $1,000,000 a year to nearly thirty-four millions a year, and the per capita consumption has risen from 4.4 pounds to 41.18 pounds. During this period they have had much to do in revolutionizing the cost of production and the price of sugar, the Magdeburg price of which has dropped from $9.49 per 100 pounds in 1855 to $1.97 in 1907. To-day the Magdeburg price of the 41 pounds of sugar the average German annually consumes is but a trifle greater than it was forty years ago for the 9½ pounds he then consumed.

Development of the German beet-sugar industry, 1836–1907.

[All weights in metric tons of 2,240 pounds.]

Year.	Number of factories.	Acres in beets.	Beets per acre.	Beets harvested.	Beets worked per factory.	Sugar extraction.	Sugar produced per acre.	Sugar produced.
			Tons.	*Tons.*	*Tons.*	*Per cent.*	*Tons.*	*Tons.*
1836–37	122	3,250	7.70	25,346	208	5.55	0.431	1,408
1846–47	107	31,750	8.82	281,692	2,633	7.14	.632	20,121
1855–56	216	114,700	9.50	1,091,990	5,056	8.00	.760	87,359
1866–67	296	242,025	10.46	2,535,635	8,566	7.93	.829	201,241
1876–77	328	352,185	10.06	3,550,037	10,823	8.15	.820	289,423
1886–87	401	692,222	11.88	8,306,671	20,715	12.18	1.45	1,012,968
1896–97	399	1,062,202	12.89	13,721,601	34,390	13.38	1.72	1,836,536
1906–7	369	1,110,457	12.73	14,171,666	38,406	15.69	1.99	2,223,521

Digitized by Google

Development of the German beet-sugar industry, 1836–1907—Continued.

Year.	Sugar produced per factory, average.	Sugar imported.	Sugar exported.	Sugar consumed.	Consumption of sugar per capita.	Taxes and customs collected on sugar.	Magdeburg price of sugar per 100 pounds.
	Tons.	*Tons.*	*Tons.*	*Tons.*	*Pounds.*		
1836–37	11	51,527	2,230	50,705	4.4	$3,710,129.04	----------
1846–47	188	68,096	10,019	74,628	5.65	4,440,963.04	----------
1855–56	404	46,703	9,545	116,568	7.81	5,775,310.08	$9.49
1866–67	680	6,471	42,975	162,429	9.90	7,501,470.48	6.32
1876–77	882	12,350	60,407	241,365	12.47	11,703,589.20	7.96
1886–87	2,526	4,570	663,266	354,273	16.54	8,069,760.00	4.22
1896–97	4,602	1,620	1,241,230	596,926	24.99	20,854,560.00	2.22
1906–7	6,026	3,117	1,098,835	1,144,629	41.18	*33,980,880.00	1.97

* 1905–6; figures for 1906–7 not obtainable.

Though on account of its great indirect, as well as direct advantages, the sugar industry has received more governmental aid and attention in Europe than perhaps has any other, it is not by any means the only industry which receives the fostering care of the Government.

For a nominal annual fee the farmer belongs to an agricultural society, one of whose experts visits his farm every thirty days and inspects his crops and his stock. If his pigs are not looking up to standard, or his cows are not giving enough milk, or the milk is poor, a veterinary is sent for forthwith, and if each and every crop is not up to standard, he is told what to do, and it is seen to that he does it. It goes without saying that the system of rotation of crops is devised by the experts. This system of directing the farmers has reached its highest development in Germany, but it is in vogue to a greater or less degree all over Europe. The effects of it are very striking when the agricultural statistics of western European countries are compared to those of Russia and the United States. The following table for 1906, covering four leading cereal crops in five countries, illustrates the value of this character of work:

Average yield per acre.

	Wheat.	Oats.	Barley.	Rye.
	Bushels.	*Bushels.*	*Bushels.*	*Bushels.*
United States	13.8	30.1	25.5	15.7
Germany	28.0	47.4	33.5	24.2
France	19.8	27.3	22.4	16.7
Austria	17.8	27.2	22.9	17.6
Hungary	17.6	30.4	22.7	17.3
Russia	9.2	18.9	13.4	11.3

While it is an established fact that the cane-sugar industry is an industrial juggernaut which blights and crushes every other industry that lies in its path, it is equally well understood that the beet-sugar industry is an aid to all other industries. On large areas in Germany they have demonstrated by scientific tests covering a period of fifteen years prior and subsequent to the introduction of beet culture, when one-fifth of the land was planted to sugar beets, that the remaining four-fifths of the area yielded 24 per cent more wheat, 14.8 per cent more rye, 25.2 per cent more barley, 41.5 per cent more oats, 86 per

Digitized by Google

cent more pease, and 102.3 per cent more potatoes than was secured from the entire area before the introduction of the sugar beet as a rotating crop.

The value in dollars and cents of Europe's methods of scientific farming is best illustrated in the production of two of our leading cereals, wheat and oats. The 1907 farm value of all the wheat and oats we produced on the 77,000,000 acres devoted to those two crops amounted to $1,223,573,000. In the case of each of these crops the average yield per acre in Germany in 1906 was exactly double what it was in the United States in 1907, and hence, had our farmers been as skillful as are the German farmers, in a single year they would have added nearly a billion and a quarter dollars to their income from these two products.

It thus would seem that the scientists of Europe have effectually squelched those who were wont to scoff at the so-called "worn-out soils of Europe" when comparing them with our "virgin soils," and unless we succeed in teaching our farmers better methods of agriculture, the comparison will become more odious than it is now.

In Germany, France, and Austria-Hungary the same paternal spirit is shown in stock raising as in agriculture, and the farmers are being taught that it is as cheap to produce good as poor stock. The Prussian Government owns 4,200 stallions, one of which cost $150,000 and several of which cost $75,000 each. In the spring these government stallions are sent on their rounds through the country and their service is furnished at from 2 to 6 marks, a certificate of pedigree being furnished with the service. Individuals may own stallions, but can only use them for service if certified by the government officials, and the farmer accepting service from an uncertified stallion is subject to a heavy fine. The marked effect which this system has had in raising the character of stock in these countries is said to more than justify the establishment of it. Perhaps the best evidence of the value of this scientific method of breeding is seen in the German cavalry, acknowledged to be the best mounted cavalry in the world.

EUROPEAN THEORY OF TAXATION AND POLITICAL ECONOMY.

European countries which formerly collected a large amount of revenue on sugar imports finally raised their customs duties high enough to induce their capitalists to erect beet-sugar factories and produce their sugar at home, and thus become independent of tropical sugar. Then they imposed consumption taxes with which to replace the losses in customs duties, and to-day the eight principal sugar-producing countries of Europe secure over $188,000,000 of revenue per annum from consumption and other forms of sugar taxation, as is shown by the following table, which I have prepared for the consideration of this honorable committee:

Digitized by Google

Sugar duties collected in principal countries of Europe, also in the United States.

Year.	Country.	Amount collected, in local currency.	Equivalent in United States currency.	Sugar consumption per capita.[a]	Tax collected per pound of consumed.	Tax collected per capita.	Tax collected per 82.6 pounds of sugar.
				Pounds.			
1907	Russia .....rubles..	101,467,263	$52,255,640	18.28	$0.0218	$0.40	$1.80
1906–7	Austria-Hungary, krones.	[b]136,300,000	38,191,500	23.32	.0343	.80	2.83
1906–7	Germany .....marks..	146,326,700	35,118,408	40.37	.0156	.63	1.29
1907	France.....francs..	153,949,000	30,020,055	35.24	.0218	.77	1.80
1906–7	Italy.....lire..	75,618,929	14,745,691	7.85	.0573	.45	4.73
1907	Holland.....gulden..	24,300,000	9,902,250	39.84	.0466	1.86	3.85
1907	Spain .....pesetas..	26,696,712	4,618,531	11.08	.0207	.23	1.71
1907	Belgium .....francs..	17,987,924	3,507,645	24.57	.0203	.50	1.68
	Total	.....	188,359,720				
1907	United States.....	.....	[c]60,135,181	82.60	.0084	.69	.69

[a] Otto Licht.
[b] Estimated by Doctor Mikusch, Vienna.
[c] 1908 revenue collected, $49,984,095; figures on 1908 consumption not available.

At least for Europe, the advantages of this policy are manifold. In the first place, the $188,000,000 annually collected in revenues from consumption and other forms of internal sugar taxes is a far greater amount than they ever collected on sugar imports. In the second place, their people pay less per pound for their sugar than they did before, or than they probably would now if the world depended exclusively on the Tropics for its sugar supply. In the third place, they keep at home from $250,000,000 to $300,000,000 which they would otherwise be compelled to send to the Tropics every year to purchase their sugar. In the fourth place, they annually draw from $150,000,000 to $200,000,000 from other countries in payment of the sugar they export. In the fifth place, they give employment to their people and their capital. In the sixth place, without increasing their cultivated area (which is impossible), they produce several hundred million dollars' worth of wheat, barley, flax, and potatoes in excess of what they could possibly produce on the same acreage if they did not have the sugar beet to rotate with. This is what the Europeans call statesmanship and is the reason they have decorated most of the men who have distinguished themselves in the line of sugar production. Their theory is that, in any event, government revenues must be raised; that if they import all their sugar and collect an import duty on it of 2 cents per pound, it raises the price of sugar by that amount; that if, on the other hand, they foster the industry and produce their sugar at home and levy on it a consumption tax of 2 cents per pound, they collect the same amount of revenue, the consumer pays his government no more in taxes, and the countries are enriched by half a billion dollars a year, which compensates many times over the difference in cost between tropical and temperate zone sugar. It is quite in line with Lincoln's statement that "I don't know much about political economy, but I do know that when we purchase a ton of steel rails from Great Britain for a hundred dollars, we get the rails and Great Britain gets the money, and when we produce the rails from our own mines and in our own mills, we have both the money and the rails."

Digitized by Google

THE DANGER POINTS IN THE SUGAR WORLD, AS SEEN BY EUROPEAN SUGAR MEN.

The authorities I met naturally were pleased at our comparative inaction relative to expanding our home beet-sugar industry. They said that for a few years after the passage of the Dingley tariff bill they were alarmed at our rapid erection of factories, but that when the Spanish-American war terminated and we began to develop a colonial policy so different from what they say could possibly exist in any European country, their fear of the mainland industry ceased and their apprehension was transferred to Cuba and our colonial possessions.

Since the Dutch Government enacted laws which prohibit the further expansion of the cane area in Java, Europe has ceased to worry about the future sugar output of that island.

They say they predicted the extermination by sugar of all other agricultural industries in Hawaii and Porto Rico, but that they fear neither of these islands, regarding 600,000 to 750,000 tons as the maximum capacity of each.

But they can't talk of either Cuba or the Philippines without using expletives. They feel that Cuba, with sufficient labor, is capable of producing anywhere from six to twelve million tons a year, and that the Philippines could easily produce as much more. They are expecting that if we make any further tariff concessions to Cuba, Cuba will find a way to coax the tobacco and other laborers onto the sugar plantations and go on doubling up her sugar crop, and that if we make any considerable concession to the Philippines, American and other exploiters will go in there and, with the aid of native and Japanese laborers, become a tremendous sugar-producing country in an incredibly short space of time, eventually forcing into the British market all duty-paid sugar, including that of Cuba, which now comes to United States ports.

The only other point they fear is Formosa, which is within 100 miles of, but not regarded as being as good a sugar country as, the Philippines.

Formosa is ordering millions of dollars' worth of sugar-making machinery in Europe. One consulting sugar engineer told me that 4 of the largest German sugar-machinery houses had each advised him that they were swamped with work, each house stating that it had received the entire order for all the sugar-making machinery which the Japanese were putting into Formosa. He calculated that the Japanese had two reasons for misleading the machinery manufacturers—one because such a statement would secure them the lowest possible price for the machinery, the other that for a time it would conceal the magnitude of their operations.

SUGAR PRODUCTION IN THE ORIENT, JAVA, AND THE PHILIPPINES.

I did not go to Europe with the expectation of learning anything of note about tropical sugar production. At every turn, however, I found people who were as thoroughly posted on the general tropical sugar situation as they were on their own Temperate Zone production of beet sugar, and at Amsterdam I had the pleasure of interviewing a world-renowned tropical sugar expert and authority, who

Digitized by Google

had just returned after a seventeen years' residence in Java, next door to the Philippines.

In the latter eighties a serious blight struck the Javan cane, and while its progress was slow, it was sure, and it threatened the total extinction of the sugar industry. In 1891 the Javan planters appealed to the mother country for aid, and Mr. H. C. Prinsen-Geerligs, already a noted scientist in the sugar world, was selected to go out to the island and try and save the industry. Mr. Geerligs went out and took charge of the experimental station, and largely through his efforts not only has the industry been saved, but it has been built up from a few hundred thousand tons to nearly a million and a quarter tons, making it the second largest tropical sugar-producing section in the world.

Mr. Geerligs talked freely, but modestly, of his great work in Java. Perhaps all that will interest this honorable committee is contained in the following from my notes, which were made at the termination of the interview:

They (the 177 Javan sugar planters, whose estates last year produced 1,210,197 tons of sugar) are all independent financially, but are all members of the Sugar Planters' Association and work together. Practically all of them live in Holland. They have all made money, but the people of the islands are just as poor as ever—30,000,000 natives, 60,000 Hollanders and half-castes. Thirty thousand Dutch and native soldiers in all the Dutch possessions. Wage rate: Men, 6d.; women, 2½d.; boys, 2d. per day. Women and boys do only light work. Abundance of people. When planters want laborers they send criers through the towns and get all they want. Pay off every few days, and natives spend their money quickly. The country was occupied 1,200 years ago, but was given up later on. Ruins of most beautiful palaces are still there, but the natives deteriorated as soon as left to themselves. Every inch of ground now cultivated. One who had not been there in ten years would not recognize it. Far more generally cultivated than Holland and Belgium, yet believes that if left to themselves for ten years only rusty railroad tracks and ruins would indicate that civilization had ever been there. The Filipinos are practically the same race of people. Holland can not colonize Java; can merely hold it. The soil is very poor, far inferior to that of the Philippines, which is exceedingly rich. Largely by fertilization have doubled the sugar crop without greatly increasing the acreage. Use much ammonia and oil cake. Without any tariff favors Philippines can compete with the world in sugar production. In no event will the building up of the sugar industry benefit the people of the Philippines. The money will all go to absentee people of wealth. Java enjoys no tariff concessions and asks for none. She has driven European sugar out of China, largely out of India, and partly out of Persia. At 1½ cents per pound Java can make 40 per cent profit, and the Philippines can do much better with modern methods. Fears large production in Formosa. Java has good climate for sugar—always warm, but soil is very poor. Parties wanted him to go into a sugar enterprise in Porto Rico, but he declined, for reason that we had not settled Philippine matters, and that if we encouraged Philippines they would eventually ruin Porto Rican sugar industry, as well as home beet and cane and Hawaii.

To further show the standing of Mr. Geerligs, I reproduce the following from London Tropical Life of May, 1908:

THE MANUFACTURE OF CANE SUGAR IN JAVA.

As foreshadowed in our sketch of Mr. Prinsen-Geerligs in the October (1907) issue of Tropical Life, that well-known authority on sugar has published an important work on cane-sugar manufacture, a book the contents of which have already made their mark in the sugar-producing world. That part of the book dealing with the chemical as well as the mechanical processes in the industry prove that they have been written by a man of great experience and high capacities. His work is of great value for the practical sugar manufacturer.

* * * * * * *

Digitized by Google

When one compares these accounts with those to hand from a primitive center like India, he is either inclined to feel that the Indian cultivator is in an utterly hopeless state, or that the sooner an English Prinsen-Geerligs is discovered and sent to improve the cultivation and manufacture of sugar in India as "P. G." has done in Java the better for the financial position of our eastern empire.

* * * * * * *

The present book runs into 450 pages, is beautifully printed, and bound in a strong, handsome cover, very attractive to the eye.

* * * * * * *

Although constantly in correspondence with Mr. Geerligs on the subject, that gentleman, with his usual modesty, omitted to mention the following interesting function, particulars of which we owe to our contemporary, the International Sugar Journal, which reports that "Mr. Prinsen-Geerligs, whose connection with the Javan sugar industry is about to terminate, has been the recipient of well-deserved honors at the hands of the syndicate of Java sugar planters, who have presented him with gold, silver, and bronze medals in virtue of his distinguished services as a director of their experiment stations."

Everyone interested in sugar cultivation will agree with the International Sugar Journal that the honor, unique in its way, is well deserved.

It will also please his English friends to learn that the Dutch Government has recently, as a proof of their appreciation of his services, appointed him an officer of the Orange Nassau Order. Meanwhile we are looking forward to the pleasure of a visit from Mr. Geerligs at an early date, as he is resigning his post in Java to take up his residence in Amsterdam as a consultant.

Further evidence covering the cost of production in the Philippines under antiquated methods was contained in a statement of E. R. Luzuriaga, of Bacolod, Negros Occidental, P. I., and furnished the Senate Committee on the Philippines by Senator Hale. It is as follows:

Senator HALE. I suppose you have seen the figures that he has made as to the cost of producing 100 pounds of sugar on his own plantation or farm or estate, and of six or eight others, as given to me. He states the cost upon his own was 69 cents per hundred pounds; in the next estate, 62 cents; in the next, 74; in the next, 74; in the next, 70; in the two later ones he names, 82 and 89; and the selling price of his own, as against 69, is $1.735; against 62, $1.59; against 74, $1.62; and against the other 74, $1.48; and against 70, $1.70, or a net profit per hundred pounds ranging from 64.76 to 99 per cent. * * *

The letter, a copy of which has been given to me, is stated to be confidential and I will not put it in. It is from E. R. Luzuriaga, Bacolod, Negros Occidental, P. I., and dated February 9, 1905.

Now, I do not know, as the letter is stated to be confidential, how much, if any, of it the committee ought to use. In reading it over hurriedly I did not notice that it was marked confidential. These are the figures, to which I have referred, that accompany that letter.

SUMMARY.

Estate.	Acres.	Sugar.	Sugar per acre.	Cost per 100 pounds.	Selling price.	Profit per 100 pounds.	Per cent profit.
Commissioner Luzuriaga	150	481,250	3,208	$0.694	$1.735	$1.041	130
Señor Juan Armeat	37.5	191,125	5,096	.6218	1.59	.969	155
Señor Ramos	187.5	440,000	2,346	.743	1.62	.976	131
Señor Juan Cabancar	1,500	5,500,000	3,666	.743	1.487	.744	100
Señor Fredrico Inatti	.....	.....	.....	.707 .82 .892	1.70	.998	140
Average	468.75	415,593	3,579	.744	1.625	.944	135

If still further evidence were needed to corroborate these figures and Mr. Geerlig's views concerning the Philippines, it is furnished by an article in the Manila Bulletin of September, 1907.

The Bulletin states that in the Bais district of Negros Señor Felix Montenegro and his brother-in-law, Señor Jose Bocanegra, large

Digitized by Google

hacienderos have each put in a Buffalo-Pitts steam plow, each of which at an expense of $10 a day does the work of 50 men and 100 carabao; that both plows are operated by natives, and each will take care of 625 acres. The Bulletin states that Montenegro had a worn-out cane field, which he had plowed seven times with a Chinese plow the preceding year and yet failed to get a crop; that he plowed this field 14 inches deep with his steam plow; that he had worked his cane through his primitive mill, which was 22 years old, but "is still in serviceable condition" and in which he "estimates that he loses easily 20 per cent of his sugar in the milling," and yet with this antiquated mill his yield from the "worn-out" land, which would produce nothing when plowed seven times in the customary Philippine manner, was 11,619 pounds, or over 5½ tons of sugar per acre. The Bulletin states that the soil is 12 feet deep and that it is in such good condition that Montenegro has replanted it to cane without replowing. The Bulletin states that the wage rate is from 10 to 12 pesos per month, or from 19 to 23 cents per day. Señor Montenegro estimates his loss of juice at 20 per cent in the grinding, and there is a further average loss in the Philippines of 35 per cent in the boiling, and yet Señor Montenegro marketed 11,619 pounds of sugar per acre from so-called "worn-out soil that presumably, like the other sugar lands of the Philippines, has been constantly in cane for thirty to forty years without a particle of fertilizer ever having been applied to it.

After nearly twenty years of the most scientific work in Java, under a Prinsen-Geerligs, with the use of vast quantities of expensive fertilizers, the most modern and scientifically conducted mills in the world, they have been able to bring the Javan production up to 9,477 pounds of sugar per acre, or 81 per cent of what they are able to get in the Philippines simply by steam plowing, with no science, no fertilization, and a process that loses 20 per cent of the juice in extraction and 35 per cent in the boiling. Mr. Geerligs said that at 1½ cents per pound the Javan sugar planters could make 40 per cent, and that the Philippines with their rich soils could produce much more cheaply, which statement would seem to be fully confirmed by Señor Montenegro's simple and comparatively inexpensive method of installing a $5,000 Buffalo-Pitts steam plow and without the installation of a modern mill.

The question might well be asked why capital has not gone into the Philippines and developed the industry if there they can produce sugar so cheaply. It might be answered by asking why it did not go into Java long ago, instead of waiting until a comparatively recent date, even though the Dutch maintained a stable government in Java, which Spain did not do in the Philippines, while since American occupation their future tariff relations with the United States have not been determined and capital is a very timid article. Throw open our doors to Philippine sugar and the question will be asked no longer. Under such conditions it would not take a Prinsen-Geerligs to flood the world with oriental sugar.

It will be seen from the following table that with all his skill and expensive fertilizers and sugar machinery Mr. Prinsen-Geerligs has been able to bring the yield of 10 of the 177 Javan sugar estates up to a point approximating what Señor Montenegro has done on the "worn-out" sugar lands of the Philippines with neither skill, fertilizers, or a modern sugar mill:

Digitized by Google

Javan sugar production, 1893–1907.

Year.	Sugar production.	Number of estates.	Acres in cane.	Maximum yield of sugar per acre.	Number of estates making more than 5 tons per acre.
	Metric tons.			*Long tons.*	
1893	479,660				
1894	484,250				
1895	537,690				
1896	490,061				
1897	548,611				
1898	725,030	188	198,500	5.1	1
1899	762,447	183	206,440	5.7	2
1900	744,257	183	224,100	5.2	1
1901	803,735	182	242,100	5.0	0
1902	897,130	183	256,000	5.3	1
1903	952,307	178	249,000	5.8	7
1904	1,055,043	176	259,000	5.18	9
1905	1,039,178	178	260,490	5.10	7
1906	1,067,798	176	272,970	4.19	0
1907	1,210,197	176	285,017	5.15	10
1908		177	285,289		

NOTE.—1903 to 1907 figures from Summary of Commerce and Finance, January, 1908, pp. 2740, 2741. Figures 1893 to 1898 prepared by H. C. Prensin-Geerligs.

SUGAR PRODUCTION AS AFFECTED BY THE COLONIAL POLICIES OF EUROPE AND THE UNITED STATES.

With the sole exception of France, no European country, not excepting Great Britain, gives preferential treatment to colonial sugars when arriving at the customs-houses of the mother country, and the French sugar manufacturers are not afraid of sugar exploitation in the French colonies. As one French beet-sugar manufacturer put it to me:

> Colonial sugar comes to Marseille and Bordeaux, far removed from any beet-sugar factory, where it is refined. We are not afraid of French colonial sugar competition. The French Government would not permit the exploitation of the sugar industry of its colonies, to the great detriment of the home industry. French capitalists recognize this fact and stay out of it. The owners of those colonial sugar estates are mostly niggers. They are lazy, and not provident or enterprising. In a good year they make a lot of money and spend double what they make. The next year they go in debt.

With the exception of Holland, all European sugar-producing countries maintain a sufficiently high import duty on sugar to protect the home industry from competition with tropical cane sugar, and Holland deftly imposes such restrictions on the refining of sugar as to prevent absolutely the refining of cane sugar within the kingdom. Holland capitalists residing in the mother country have invested between one and two hundred million dollars in the sugar industry of the island of Java, a Dutch colonial possession, which now produces nearly a million and a quarter tons of sugar annually. Not only is Javan sugar not exempt from these prohibitive restrictions on the refining of cane sugar, but the restrictions were devised and executed for the express purpose of preventing Dutch capitalists from exploiting a Dutch colony with Dutch money, to the detriment of Dutch farmers and Dutch capitalists, who were producing sugar in the mother country.

Nor was this all. In order to prevent the further exploitation of the Javan sugar industry, which was gradually eliminating the rice

Digitized by Google

fields of the natives, and by overproduction and consequent lowering of the world price for sugar was threatening to injure the Dutch exportations of home-produced sugar, the Dutch Government has enacted laws which prohibit the further expansion of cane fields in the Dutch colony of Java.

It thus appears that European statesmen are a unit in the purpose to prevent the exploitation of the tropical sugar industry, whether it be to the detriment of their customs revenues or of their home sugar industry, and French, English, German, Belgian, and Dutch capitalists are effectually prevented from exploiting it under the flags of their own countries.

But while Europe has been discouraging and preventing its citizens from this work, at great cost to our revenues and to our industries, we have been providing fruitful fields for the investment of this medley of expatriated capital. We invited them to join our band of expatriated American capital in Hawaii, and with imported contract coolie labor of the lowest type exploit the cane-sugar industry of those islands and crush out all other industries. Their sugar was given free admittance to our markets, and from 1876 to 1905 we made them all rich by giving them over $150,000,000 of the people's money, which would otherwise have been collected on the sugar they sent us free of duty. At the present time their already bursting wallets are being replenished by the American people to the extent of $17,000,000 a year.

We invited another cluster of French, Belgian, English, and German capitalists to join with us in crushing out the small sugar and coffee planters of Porto Rico and exploit the island with modern cane-sugar mills. Just what was predicted has come to pass. The native planters are landless, their mills have been abandoned and are going to rust, they are employed at low wage rates by the exploiters, and the American people are footing the bills at the rate of nearly $8,000,000 a year.

We invited a still larger cluster of this medley of foreigners to join a similar class of Americans in exploiting the sugar industry of Cuba. They responded with alacrity, and it now takes over $10,000,000 a year of the people's money to satisfy them, and still they are not satisfied, but are clamoring for more.

Altogether the tidy sum the American people hand over to this bevy of exploiters of expatriated capital amounts to $35,000,000 annually, and is equal to one-half the value of all the merchandise we sell the people of those islands, while the exploiters market their products with us to the value of four times the amount of their gratuity.

These exploiters sold us the bulk of the more than five and one-half billion pounds of sugar we imported in 1907, most of which otherwise would have been produced on American farms, and, at 3½ cents per pound for beets and labor, would have placed $200,000,000 in the pockets of our farmers and laboring men.

Based on the average yield and value of wheat per acre raised in the United States during the past ten years, the average amount of sugar raised per acre on American beet-sugar farms in 1907, and taking 2¼ cents per pound as the average foreign and freight cost of the sugar imported in 1907, it shows that in exchanging domestic wheat for imported sugar it took all the money we received for all

Digitized by Google

the wheat we raised on over 13,000,000 acres to purchase the sugar we could have produced at home on less than two and one-quarter million acres.

To pay foreign exploiters a cash bonus of $35,000,000 a year, thereby depriving our farmers and laborers of $200,000,000 a year, and compel our farmers to cultivate 13 acres in order to earn as much money as they could otherwise earn on two and one-quarter acres, thereby tilling ten and three-quarter million extra acres without additional recompense, virtually losing the use of that vast and valuable area, would not seem to be in harmony with sound political economy.

CUBAN RECIPROCITY TREATY RESPONSIBLE FOR EUROPEAN DISCRIMINATION AGAINST OUR EXPORTS.

I failed to discover any sentiment in the European sugar world which was antagonistic to our home beet-sugar industry. They seem to regard the production of beet sugar by a temperate-zone country as a heritage fraught with such marvelous economic results that it would be presumptuous to a degree for any nation to feel ill tempered because another nation established such laws as would enable it to produce its sugar at home. If we placed the duty on sugar at 10 cents or even $1 a pound, there would never be a murmur from Europe. What they do object to is to have a nation of which they are amongst its very best customers, after having erected a reasonable tariff on sugar—one of their important exports—proceed to make concessions from that tariff to tropical countries which can produce sugar more cheaply than they can in Europe, and still charge Europeans full tariff rates, thereby excluding their sugars from our markets, except when, as at the present time, the world's surplus of sugar is small. They do not consider this a "square deal" in any sense of the word, and see, or affect to see, no possible justification for it. Most of them have resented it by striking back at us on our principal exports, notably on our meat products, and it would appear that, however we may fix the tariff, they will continue to find ways to strike back, if not openly, then secretly, as long as we discriminate against their export sugar.

Both before going abroad and while abroad I was credibly informed by high sources that the fundamental cause of our recent tariff troubles with Germany was the Cuban reciprocity treaty, by which the sugar of our second-best customer was excluded from our markets for the benefit of a country which buys but little from us.

Nearly everywhere I went in the sugar districts of Europe our consuls seemed to be mystified at our not producing our sugar at home. They note the wonderful results produced all about them by the beet-sugar industry, and wonder that we are not building scores of new factories every year instead of seeming to coax the Tropics to produce it for us. One of our veteran and most distinguished consuls, a thinker and a political economist of note, a man who loves the soil and appreciates the value of agriculture, looked over my letters of introduction and in a gruff voice greeted me with the remark: "Well, why in h—— don't you produce your own sugar?" He had studied the agricultural side of the question carefully, had seen that we produced a fair tonnage of good beets, and was inclined to blame

Digitized by Google

the American sugar men for not availing themselves of the opportunity to produce the $100,000,000 worth of sugar we annually import. I will not deny the fact that on behalf of the industry I disclaimed any responsibility for such a condition of affairs, and that I laid the blame for it at the doors of Congress, and primarily at the door of this honorable committee, without whose initiative and aid we would have made no Cuban reciprocity treaty and had no continued Philippine free trade agitation. I told him frankly that the Cuban treaty agitation at its very inception blocked the erection of 86 projected new American beet-sugar plants, in which there was to have been invested $49,000,000, and which alone would have produced several hundred thousand tons of sugar a year, and that as a direct result of that treaty a like amount of American capital had gone into new Cuban sugar factories, and that these new Cuban factories were now supplying us with the sugar we had been preparing to produce in new American factories. I will not quote the gentleman's comments, which were forceful, if not elegant.

After calling at one of our embassies, I made the following notes:

He is very much interested in our sugar industry, has observed its great economic advantages in Europe, and wonders why we do not adopt a fixed policy which will result in our producing all our sugar at home. Says a further reduction to Cuba or the Philippines, especially Cuba, would make the people over here furious and immediately result in their exclusion of our meats as the best means of hitting back at us. Says they have already largely excluded it and they would finish the job.

Naturally most of our consuls abroad are cautious when expressing themselves on a subject which is constantly before the legislative branch of our Government and in which the executive branch seems to be deeply interested. It is evident, however, that their views on the subject are in accord with those of the governments of Europe, which would be unable to weather the storm if in any way they injured or retarded the development of agrarian interests, which in the parliaments of Europe are becoming stronger and stronger with each succeeding year.

SIGNIFICANT TESTIMONY.

Eleven years ago the people who advocated the establishment of the beet-sugar industry in America were laughed at by their enemies, who claimed that the sugar beet was an exotic, a hothouse plant, which could never be made to yield sugar at a reasonable price in the United States. I now see that Messrs. Atkins, Spreckels, and Stillman are contending for further tariff concessions, on the alleged ground that American beet sugar can be laid down in Chicago for very much less money than they can lay down tropical cane sugar at the same point. Their present argument is as fallacious as their former one has proven to be, as I will show elsewhere. Their reason for desiring a change in the tariff on sugar is plainly stated below:

Mr. FORDNEY. A complete cessation of the production of either cane or beet sugar in this country, then, would increase your business as refiners?

Mr. STILLMAN. Yes, sir.

Mr. FORDNEY. And that is why you would like to have the difference in the tariff?

Mr. STILLMAN. That is why. I would like to increase our business.

Digitized by Google

There are those who would have us believe we can let in a half million tons of Philippine sugar without its costing the American people a penny, without reducing the price of sugar, and thus without injury to the home sugar manufacturers, and with great benefit to the struggling Filipino planter. We let in a few hundred thousand tons of Porto Rican sugar, with the result that the mills of the struggling Porto Rican sugar planters are all abandoned—supplanted by the modern mills of rich alien owners, who spend their money in other lands. Supplanting 500,000 tons of full duty-paid sugar with a like amount of free tropical sugar depletes our national revenues by $16,500,000 a year, and that it injures the American producer already has been shown to this committee.

Gentlemen who have appeared before this honorable committee and presented specious arguments in favor of reducing the duty on sugar contend that one section of the United States could produce beet sugar at a very low cost and could stand a lower rate of duty, and that the sections not so favorably situated should abandon the industry and move and concentrate their factories at the point of cheapest production. This is but an echo of the old free-trade heresy of buying in the cheapest market and selling in the dearest. Furthermore, it is economically wrong. Carried out to its logical conclusion, this principle would give us a wheat State, a corn State, an oats State, a barley State, a cotton State, an apple State, a peach State, and all sorts of specialized States; and when the drought struck Dakota we would go without bread, and when the grasshoppers struck Kansas our stock would starve for lack of corn, and when the frost struck Maryland we would go without peaches, and when the boll weevil struck Texas we would go without clothes, and when a hailstorm swept over Colorado we would go without sugar. There would not be a year but what we would be compelled to go without some commodity we need for our well-being, and the science of rotation, the greatest in agriculture, would be a thing of the past.

While the concession to Cuba was under consideration in 1902 and 1903 the opponents of the concession contended before this honorable committee that the purchasers of the sugar, and not the planters, would be the main beneficiaries if you granted the concession asked for.

On November 17 last Mr. Spreckels admitted to you that there are times when "we get the full benefit of the reduction of the tariff, about 35 cents a hundred pounds."

The terms of the Brussels agreement provide that where the aid or bounty or favors granted to the producers of sugar exceed 2½ francs, or about 50 cents per hundred pounds, such sugar will be excluded from the markets of the signatory powers; and not having exceeded that amount in our 20 per cent concession to Cuba and 25 per cent concession to the Philippines, the markets of the world are still open to those sugars; in fact, some of the former and the bulk of the latter is now marketed in world markets outside of the United States.

Further concessions to these sugars would undoubtedly close all other markets to them, thus compelling their sale in our markets; and if under present conditions, as Mr. Spreckels asserts, there are times when he can absorb the entire concession, it does not require much acumen to make an accurate guess as to what would happen to the

Digitized by Google

Cuban and Philippine planters when all other markets were closed to their sugar.

The fact has been reasonably well established that sugar has been responsible for many revolutions in the Tropics, and it would appear from the testimony before this honorable committee that the danger of a repetition of such revolutions is not entirely behind us. In the past these revolutions have sometimes been successful, as in the case of Hawaii; sometimes partially successful, as in the case of Cuba; and sometimes they have met with ignominious failure, as in the case of Santo Domingo. In a plea for further reduction of tariff on Cuban sugars, this honorable committee has been told that—

> As long as the island is prosperous and under some form of United States control, a republican government may be maintained; but should her great sugar industry be made unprofitable, either by cancellation of the treaty or by long continuance of the present high duty against her sugar, revolution, fed by her unemployed, is sure to result in the future as it has under similar circumstances in the past.

You have also been told that these revolutions—

> Will be repeated unless the Cubans can govern themselves and maintain order and protect the lives of Englishmen and Germans and Frenchmen and Spaniards on the island, and protect their property.

This foreign capital in the sugar industry of Cuba, as well as in Hawaii and Porto Rico, is there because the home governments of the owners of it have prohibited its use under their own flag, to the detriment of their home sugar industry. These exploiters are regarded as a menace to the interests of their native countries, by whom they are treated with scant courtesy and less consideration. They join a similar class of Americans, and force tariff concessions from us which injure and stop the development of our home industries, and they wave before you the flag of revolution and bloodshed, which flag they predict will be carried into Cuba if you do not consent to further injure or destroy our home industries for their special benefit.

The worst that could happen if you accede to the demands of this expatriated capital would be the blotting out of the already enormous investment in beet-sugar factories and the taking from our people their richest agricultural and industrial heritage, which is theirs by right. Furthermore, if such a policy were adopted and adhered to, it would work a great hardship on 150,000 sugar-beet raisers, it would blight the growth of many of our far Western States, and it would rob our $40,000,000 worth of reclamation work of its greatest asset.

Already you have clipped the wings of the beet-sugar industry by stopping further development. Where formerly from 4 to 11 new factories were erected in a season, we now have no more factories than we had in 1906, and yet the production of sugar from American-grown beets has increased from 312,000 tons in 1905 to 463,000 tons in 1907, showing that as they become familiar with the industry our farmers are more and more anxious to engage in it.

The beet-sugar industry has "made good." The promises you made in 1896 have resulted in this 1,100 per cent increase of production in eleven years. What capital now needs is a reiteration of the assurances made in 1896 and 1900, when the dominant party proclaimed that instead of coaxing the Tropics to produce our sugar we were going to produce it by American labor on American farms and in American mills.

Digitized by Google

For the purpose of arresting your attention and inviting your most serious reflections on this important subject, I have laid before you the opinions of some of the ablest thinkers in the world, and surely the ablest men who have studied the sugar problems. I have given you the opinions of the greatest political economists on sugar in the world, the greatest sugar chemists in the world, the greatest sugar engineers in the world, the greatest sugar-beet-seed growers in the world, the most extensive growers of beets in the world, the greatest producers of beet sugar in the world, the largest sugar brokers in the world, the most renowned editors of sugar journals in the world, as well as the opinions of European officials and government representatives, and some of our most distinguished representatives abroad. Could their views be summed up in one sentence it would be that you can't well ride two horses going in opposite directions, and that if the maintenance and expansion of the home sugar industry be of concern to this honorable committee, and I believe it is, you will be inviting disaster if you tamper with the present sugar schedule, under which the home industry has shown its greatest development.

TRUMAN G. PALMER, *Secretary.*

EXHIBIT A.

DEPARTMENT OF STATE,
Washington, January 27, 1906.

Hon. HENRY M. TELLER,
United States Senate.

SIR: In reply to your letter of the 20th instant, I have the honor to inclose a statement, prepared in this department, of the customs duties imposed on importations of various grades of sugar by England, France, Germany, Russia, Austria-Hungary, Holland, Belgium, Spain, and Italy, respectively, and to inform you that none of the countries named therein, with the sole exception of France, gives preferential treatment to sugar arriving at the custom-houses of the home country from its colonies. France exempts sugar imported from her colonies from the payment of import duty, imposing only the consumption duty, while sugar imported from foreign countries is subject to the payment of both the import duty and the consumption duty, as will be seen in the accompanying statement. I have the honor to be, sir,

Your obedient servant, ELIHU ROOT.

Digitized by Google

Statement of customs duties imposed by certain foreign countries on imports of various grades of sugar.

[Countries where sugar is provisionally liable to special duty are omitted, the United States not being included therein.]

Tariff classification.	Rates of duty per 100 kilos.	
	Domestic value.	United States equivalent.
AUSTRIA-HUNGARY.	*Florins.*	
Raw sugar under 98 per cent polarization	2.20	$0.898
Refined sugar and all sugar of 98 polarization and over	2.40	.974
Molasses	6.00	2.436
(Consumption duty on sugar in addition: 38 kronen ($7.714) per 100 kilos.)		
BELGIUM.	*Francs.*	
Juices and raw cane or beet sugars	25.50	4.921
Refined sugars	25.50	4.921
Sugar to be used in the manufacture of vegetable preserves, confectionery, fruit jellies or sirups, condensed milk and milk foods, and also (subject to previous denaturation) sugar for industrial purposes or for cattle foods	5.50	1.061
Sugar to be used in the manufacture of invert sugar	20.50	3.956
Sirups and molasses produced in the manufacture or refining of sugars:		
Of a total saccharine richness not exceeding 50 per cent	10.00	1.93
Of a total saccharine richness exceeding 50 per cent	15.00	2.895
FRANCE.		
Raw sugars, the estimated yield at the refinery being:		
98 per cent or less—		
Consumption duty	25.00	4.825
Import duty	5.50	1.061
More than 98 per cent—		
Consumption duty	25.00	4.825
Import duty	6.00	1.158
Refined sugars, other than candy—		
Consumption duty	25.00	4.825
Import duty	6.00	1.158
(A refining tax of 2 francs ($0.386) per 100 kilos is also levied on raw sugar and refined other than candies. A superintendence tax is also leviable on the importation of sugar at the rate of 8 centimes ($0.015) per 100 kilos of refined, net weight.)		
(Sugar imported from French colonies is exempted from payment of the import duty.)		
Molasses:		
Other than for distillation, having a saccharine richness of—	*Florins.*	
50 per cent or less (import duty)	20.75	$4.004
More than 50 per cent (import duty)	42.90	8.279
For distillation, for each degree of saccharine richness (import duty)	.20	.038
GERMANY.		
Sugar:	*Marks.*	
Refined	18.80	4.474
Raw or unrefined	18.40	4.379
Sirup and molasses	40.00	9.52
HOLLAND.		
Unrefined (excise duty):	*Florins.*	
Of a saccharine richness of 98 per cent or higher	27.00	10.854
Of a saccharine richness of less than 98 per cent for every percentage of quality	a 0.27	.108
Melada, molasses, sirups, and other saccharine fluids (excise duty)	6.00	2.412
(When the degree of purity of these fluids exceeds 68, the excise shall be raised by 36 cents ($0.144) for every unit above 68.)		
Refined (excise duty): Loaf and lump and all sugars not specially mentioned	27.00	10.854
ITALY.	*Lire.*	
Sugar yielding more than 94 per cent of refined sugar	99.00	19.107
Sugars, other	88.00	16.984
Molasses, raw, for the manufacture of blacking, of coloring extracts, etc. (subject to denaturation)	1.00	.193
Cane molasses, for the manufacture of coffee substitutes (under control)	Free.	Free.
Other molasses	10.00	1.93
SPAIN.	*Pesetas.*	
Sugar, glucose, liquid caramel, and other analogous products	85.00	16.405
Molasses and honey:		
Containing more than 50 per cent of crystallizable sugar	80.00	15.44
Containing up to 50 per cent of crystallizable sugar	40.00	7.72

Digitized by Google

***Statement of customs duties imposed by certain foreign countries on imports of various grades of sugar*—Continued.**

Tariff classification.	Rates of duty per 100 kilos. Domestic value.	United States equivalent.
RUSSIA.	*Rubles.*	
Sugar, raw ..... per pound..	4.50	2.317
Sugar, refined, in loaves, pieces, or lump, and sugar candy ..... do....	6.00	3.090
Molasses ..... do....	1.80	.927
UNITED KINGDOM.		
Sugar:	*£. s. d.*	
Not exceeding 76° of polarization	0 2 0	.486
Exceeding 76° and not exceeding 77°	0 2 0.8	.502
Exceeding 77° and not exceeding 78°	0 2 1.6	.518
Exceeding 78° and not exceeding 79°	0 2 2.4	.534
Exceeding 79° and not exceeding 80°	0 2 3.2	.55
Exceeding 80° and not exceeding 81°	0 2 4.0	.566
Exceeding 81° and not exceeding 82°	0 2 4.8	.582
Exceeding 82° and not exceeding 83°	0 2 5.6	.598
Exceeding 83° and not exceeding 84°	0 2 6.5	.616
Exceeding 84° and not exceeding 85°	0 2 7.4	.634
Exceeding 85° and not exceeding 86°	0 5 8.3	.652
Exceeding 86° and not exceeding 87°	0 2 9.2	.67
Exceeding 87° and not exceeding 88°	0 2 10.2	.69
Exceeding 88° and not exceeding 89°	0 2 11.2	.71
Exceeding 89° and not exceeding 90°	0 3 .4	.737
Exceeding 90° and not exceeding 91°	0 3 1.6	.761
Exceeding 91° and not exceeding 92°	0 3 2.8	.785
Exceeding 92° and not exceeding 93°	0 3 4	.809
Exceeding 93° and not exceeding 94°	0 3 5.2	.833
Exceeding 94° and not exceeding 95°	0 3 6.4	.857
Exceeding 95° and not exceeding 96°	0 3 7.6	.881
Exceeding 96° and not exceeding 97°	0 3 8.8	.905
Exceeding 97° and not exceeding 98°	0 3 10	.929
Exceeding 98°	0 4 2	1.012
Molasses and invert sugar and all other sugar and extracts from sugar which can not be completely tested by the polariscope and on which duty is not otherwise charged:		
If containing 70 per cent or more of sweetening matter	0 2 9	.504
If containing less than 70 per cent and more than 50 per cent of sweetening matter	0 2 0	.486
If containing not more than 50 per cent of sweetening matter	0 1 0	.243

* But not less than 18 florins ($7.236) per 100 kilos.

NOTE.—One hundred kilos equals 220.46 pounds, 1 pood equals 36.112 pounds, 1 hundredweight equals 112 pounds.

HUGH KELLY & CO., NEW YORK CITY, ASK FOR A REDUCTION IN THE DUTY ON CUBAN SUGAR.

NEW YORK, *November 27, 1908.*

Hon. SERENO E. PAYNE,
Chairman of the Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR SIR: Controlling and representing considerable raw-sugar interests in Cuba, we beg to submit the following data as to the cost of production of cane sugar in Cuba, and our recommendation for a reduction in the tariff on sugar in the United States; this in addition to the information presented to your honorable committee at the hearing granted to sugar planters on the 16th and 17th instant.

We abstain from going into historical facts regarding the necessities of Cuba, past or present, or the economical and political conditions of the island, but shall endeavor to place before your honorable committee only such absolute facts regarding the Cuba cane-sugar business that, compared with the cane and beet sugar industry of the United States, they may recommend a reduction in the tariff on sugars coming into the United States.

Digitized by Google

Cuba has endeavored to live and move out of her two important staples, viz, sugar and tobacco, the first of these furnishing employment for three-fourths of all the labor employed on the island. While tobacco is of paramount importance in one Province, viz, Pinar del Rio, and of secondary importance in the Remedios district, sugar is the basis of all commercial movement and of all credit in the remaining districts of the island. The production of 1,200,000 tons of sugar, which it is expected Cuba will produce this coming crop of 1909, means the raising, cultivation, and harvesting of 12,000,000 tons of cane. The hauling and treatment of this quantity of cane means the handling of 13,200,000 tons of material, raw and finished, and of all the supplies, fuel, and other goods necessary to the manufacture of sugar, amounting to perhaps another 1,000,000 tons. There is thus an interior movement of over 14,000,000 tons of material in one season, which will give life to railroad activity and provide labor with employment in every direction. It furnishes the means for clothing, feeding, and housing the people in that business, and this in turn gives life to commercial activity in the cities and towns, and added business to the railroads and other public carriers.

More important than all this benefit to the population of Cuba is the benefit which will accrue to the United States in the shape of the large purchases of the manufactures and produce of this country which Cuba will need and will be able to purchase by the earnings of the people in the industry. The more liberal the sugar industry of Cuba is treated the more liberal will the money from that island purchase in the United States.

The cost of producing sugar in Cuba has been stated variously by responsible men before the Ways and Means Committee, but in all cases the cost of production has not been given below 2 cents per pound, and this figure, can be easily proven, is not high.

The average production per factory in Cuba at this time may be roughly set down as 7,000 tons sugar, say 182 factories producing an aggregate of 1,200,000 tons. The cost of a factory equipment, railroad and rolling stock, land and cane fields for a capacity of 7,000 tons of sugar per annum, including a small working capital of, say, $50,000, is not less than about $850,000. The capital invested is certainly worth 5 per cent per annum. The wear and tear on machinery and buildings is not less than 5 per cent per annum. The maintenance of railroad plant may be put down at 5 per cent per annum. The depreciation in fields may be set down as 10 per cent per annum. The cost of cane under normal conditions and with an abundant supply of labor has never been less than $3 per ton, and has been, under competitive conditions, as high as $4.50 per ton. The cost of manufacture, say one-half cent per pound, must be conceded by our contemporaries in the beet-sugar business as low.

Thus we have the cost of producing a crop of 7,000 tons of sugar, or, say, 14,000,000 pounds per season, as follows:

70,000 tons of cane, at $3	$210,000
Cost of manufacture, one-half cent per pound	70,000
Interest on capital invested, 5 per cent on $850,000	42,500
Wear and tear on machinery, 5 per cent on $420,000	21,000
Wear and tear on railroad, 5 per cent on $200,000	10,000
Depreciation in fields, 10 per cent on $140,000	14,000
Depreciation on cattle and cars, 10 per cent on $40,000	4,000
Total	371,500

Digitized by Google

Add to this an average expense for railroad haul to the coast, lighterage, and shipping expenses of, say, 25 cents per 100 pounds, $35,000, and we have a grand total of $406,500 as the cost of producing and delivering on board vessel in Cuba a factory crop of 14,000,000 pounds of sugar, or, say, 2.90 cents per pound.

In order that our contemporaries in the beet-sugar business may understand that these figures of cost are not excessive, we beg to quote for you from the statements of Messrs. Oxnard and Cutting their own figures, viz:

Beets, per ton, $4 (containing 15 per cent sugar), as against our cane at $3 (containing 10 per cent sugar).

Expense of working beets into sugar, $3 per ton of beets (equals 1 cent per pound for manufacture, as against one-half cent per pound quoted for Cuba).

The average yield of sugar from cane in Cuba is about 10 pounds in each 100 pounds of cane. The present value of these goods in the United States market, duty paid, is 3.86 cents per pound for 96° test.

The cost of delivering sugar in the Atlantic and Gulf ports in the United States is as follows:

	Per 100 pounds.
Insurance, one-half per cent	$0.01
Freight	.12
Duty	1.348
Weighing	.01
Brokerage and charges	.01
Loss in weight and test	.02
Commission, 2½ per cent	.085
Making total charges	1.603

Deducting this figure ($1.603) from the market value, $3.86, viz, less $1.603, we have $2.257 as the value of 100 pounds of 96° test Cuba centrifugal sugar free on board vessel in Cuba, or, say 0.02–0.257 cent per pound as the present net value of Cuba sugar, which it costs 0.20–0.90 cent per pound to produce, indicating a loss of 0.643 cent per pound on every pound of sugar Cuba will produce this coming crop.

On the other hand, we understand from reliable sources that it does not cost our friends in the beet-sugar business, at the most, more than 2½ cents per pound to produce refined sugar, packed, ready for marketing, which upon the present duty-paid price of sugar would show an apparent profit, through legislative privileges, of exactly the amount of the duty on Cuba sugars, or say, 0.01–0.348 cents on every pound of sugar they produce, and which is taken from the United States consumer. It is this wide margin of profit which permits the beet-sugar interests to slash prices without any regard whatever as to the merits of manufacture, having the range of this entire amount of protection in competition with Cuba and other foreign sugars. On such basis of prices as above shown, and which actually exist, Cuba can not afford to concede even one thirty-second cent per pound without bringing them much nearer to destruction.

If our competitors in the beet-sugar business are so patriotic, why do they not dispose of their sugars to the consumer at cost of manufacture, plus a fair profit of say one-half cent per pound, which would make the price 3 cents, and leave Cuba with a margin of one-

Digitized by Google

tenth cent per pound profit, of which our beet-sugar contemporaries should not be envious.

In considering the tariff placed upon the product of other countries it should not be omitted to consider the great desire of the manufacturers and producers of the United States to reach out for the export trade, which is so much coveted at this time and advocated by the United States Government in the consular and trade reports gathered at great expense for the benefit of our home manufacturers. If we treat our foreign producers and their product in an inconsiderate manner, all the effort the Government may make otherwise will not bring the desired export business unless we show a reasonable reciprocal feeling or treatment. It is obvious, therefore, that with a substantial reduction of the duty Cuba would receive a living price for its commodity and have a larger money-purchasing power, which must necessarily come to the United States by reason of a reciprocal arrangement.

It does not appear reasonable or just that such an important country as Cuba, and the adjacent island, Santo Domingo, should be held as fair game to be bled for the benefit of perhaps a dozen beet-sugar factories of this country and to the detriment of 85,000,000 of population of the United States.

Another important island is Santo Domingo, which by its natural location and close proximity to the United States should receive the same benefits as Cuba does in our business relations. Santo Domingo on the east end, with Porto Rico, guards the Mona Passage; on the west end, with Cuba, the Windward Passage. Santo Domingo produces principally sugar, say about 60,000 tons per annum, and perhaps 10,000 tons of cocoa, 90 per cent of all of which comes to this country, while Santo Domingo purchases all of its supplies and manufactures from the United States. Yet she is entirely excluded from any favors whatever. Porto Rico on the east end, being now United States territory, enjoys the free entry of all its produce into the United States, yet their labor, especially in the fields, receives not more than 50 cents to 75 cents per day, while in Santo Domingo field labor is paid about $1.25 per day, which is about the same paid in Cuba, the latter having an advantage at present over Santo Domingo of a 20 per cent reduction in the tariff.

The United States Government officials are to-day in Santo Domingo as well as in Cuba. In the former country they are engaged in the collection of the import duties of the country and with the regulation of its foreign debts and in peaceful pursuits, while in Cuba we have been compelled to station our troops and place our officials at the head of government in order to keep peace and order in the country. It therefore appears but fair and just to Santo Domingo that when tariff revision and treaties are discussed concerning Cuba that that clause be stricken from the treaty excluding all other countries of the West Indies from enjoying a reduction of 20 per cent on United States import tariff schedules and that Santo Domingo be treated at least as liberally as Cuba, having in mind that the trade between Santo Domingo and the United States is growing very rapidly in importance.

In the United States a little over 1 per cent of our people are interested directly in the production of sugar, while nearly 90 per cent of the population are interested in other industries of the United States, and the whole 100 per cent are consumers of sugar.

Digitized by Google

Some time ago Representative Robertson, of Louisiana, stated that 500,000 people in his State are interested in retaining the full duty on sugar. While this may be true, Louisiana has probably 700,000 other people who are interested in the production of rice, cotton, oil, lumber, etc., who demand a wider market for these products.

Michigan is deeply interested in beet-sugar production, but we should not lose sight of the fact that the people of Michigan produce enormously of lumber, copper, machinery, railroad equipment, and general manufactures, all of which demand constantly widening markets.

Ohio may produce beet sugar, but she produces also machinery and manufactured goods of vastly greater value, for which she demands a market, and the greatest of her sons, William McKinley, now of revered memory, with his dying breath told how she might secure this market.

California may be interested in sugar production, but she produces also wine and olives, and Cuba is a large consumer of these goods.

Kansas produces little, if any, sugar, but her pork industry is vitally interested in the Cuban demand for its goods.

Minnesota produces sugar, if you please, but Cuba wants 3,000,000 sacks of flour per annum, to say nothing of the amount of her lumber products which Cuba can consume annually.

Pennsylvania produces no sugar, but finds every year in Cuba a market for millions in value of her coal and her steel and iron products.

New England produces no sugar, but manufactures shoes, cloth and cotton goods, machinery and machine tools, which demand an outlet in the Cuban market.

Will the Louisiana sugar industry yield nothing to her manufacturing industries?

Have the Ohio and Michigan beet-sugar interests no desire to yield anything to their greatly diversified manufacturing interests?

Has the 99 per cent of our population no rights in this question which the 1 per cent is bound to respect? Is 1 per cent of the population of the United States to determine and dictate what will be the policy of this great country at a time like this? God forbid that in a country where the good of the majority is the good of all so insignificant a minority as 1⅛ per cent of the population should successfully withstand the sentiment of the great majority with respect to what is not alone morally the duty of the country to Cuba at this time, but for the material good of our own people as well.

If it be true, as the late Hon. O. H. Platt, of Connecticut, said, that if there were but one factory in the United States in any given line of industry, that one factory would be entitled to consideration, then I urge with equal truth in this country, in which the equality of man is our proudest boast, that if there were but one consumer of a given article in this country, that one consumer is entitled to consideration also. And if this be true of one consumer, what shall we say of the rights and the consideration to which 99 consumers are entitled as against the same consideration for one producer.

Respectfully submitted.

HUGH KELLY & CO.,
FRANK SCHAFFER, *President.*

Digitized by Google

BRIEF SUBMITTED BY ROSWELL A. BENEDICT, OF NEW YORK CITY, IN BEHALF OF THE SUGAR GROWERS AND SUGAR CONSUMERS OF THE UNITED STATES.

NEW YORK CITY, *December 4, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: This memorandum is in behalf of the sugar-growers of the United States, as well as in behalf of those of us who consume sugar and are therefore interested in the lowest reasonable price of the article. Will the committee kindly investigate the facts in regard to beet-sugar production in Germany and France? If other countries such as these can produce all their own sugar so that the ratio of their own supply to their own demand fixes a reasonable price, considering their wage-scales, it would seem to be a wanton waste of our own opportunities of employment for us to go on importing sugar. Why should we not encourage the beet-sugar industry until beet sugar is produced all over the country, thus giving us a steady and reliable supply and furnishing employment to many of our citizens who are now often idle? Would this not help to relieve the congestion of labor upon other industries and so prevent the depression of wages and the purchasing power of the country?

There is strong reason to believe that lack of sufficient protection against German, Porto Rican, Cuban, Mexican, Hawaiian, Philippine, and other sugar is the only obstacle in the way of making sugar production in this country so general that sugar refineries would be as common as are now creameries and milk dairies, poultry farms, and the like; and that with this wide development of the industry and the appearance of beet-sugar farms and refineries close to every town, we should be saved what we now lose in freights, storage, wastage, insurance, and wholesale and jobbing commissions, and the retail price of sugar would finally be reduced at least one-half.

Of course, this same argument could be used in behalf of protecting other products, and if all were treated alike imports of competing goods would cease and our people would be unable to purchase them at lower prices than those fixed by the ratio of the American supply to the American demand. A little thought, however, will show that no country as a whole can purchase its supplies abroad at a final cost less than that of producing its supplies at home, because to import a given thing instead of producing it at home is to limit domestic industry and narrow the field of domestic employment, and so diminish the aggregate volume of domestic wages and reduce the country's purchasing power, which means to reduce the volume of its domestic business. The importing business can only profit those who sell the imported article in this market at about the American ruling price, or but a trifle under, and pocket the difference between the domestic and foreign wage-increment of cost in the article. The gain in this trade is not available to help employment and business here, because, to repeat the gain, the importer must continue to pay foreign labor and capital for the goods the importation of which yields him his profit. The whole importing business is thus based on the principle of reducing American purchasing power by exporting opportunities to labor and their accompanying wages.

Digitized by Google

The writer strenuously advocates the swelling of our volume of employment by such protection as will reserve for this country its own domestic market for sugar, in the end cutting out totally imports from every country on earth, including Porto Rico, Cuba, Hawaii, and the Philippine Islands; for the reason that, since employment means wages and wages means business, the highest prosperity of the country can be reached only by swelling employment to its greatest possible volume.

If the query is, What would become of Porto Rico, Cuba, Hawaii, and the Philippine Islands if denied our market for sugar? the answer is, Teach them to close their own ports, do their own work, make their own domestic market, and cease being the victims of foreign commercial filibusters exploiting their respective countries. If people in tropical countries lack abundant employment, food, and other necessaries, it is their own fault and not the fault of countries like ours, that half the year through wallow in snow banks.

The sugar producer in this country is in the same predicament enjoyed by other producers. The importers are constantly longing to part his garments among themselves. But, looked at strictly from the national standpoint and not from that of profit-taking individuals, the only possible employer of this country which can give it the largest wages for its work is the country itself; and this for the reason that it pays wages which average five times as high as those paid by the world outside. Nobody disputes that wages here are the highest in the world. Taking 100 as our scale, the scale of the world at large is but 20. This is easily gathered in a general way and by a Yankee guess from the fact that British wages, compared with our 100, stand at about 50, perhaps a trifle more; but more than likely, taking into consideration the fact testified by Sir Henry Campbell-Bannerman some time before his death, that 12,000,000 of the inhabitants of the British Islands are constantly on the verge of starvation, British wages average a good deal less than 50, compared with our 100, if the amount of wages paid in a year per capita is considered. If British wages stand at 50, German wages stand at about 30, French at about 28, Italian at about 25, and so on until you come to India, where a man is paid 2 cents a day for fanning the white pilgrim, and China and Japan, where wages are somewhat higher. To say that the average is 20, compared with our 100, is safely within the mark; and it thus appears that this country, as its own employer, producing its own sugar instead of importing it, must pay itself an average of five times as high wages as it could get by putting out its work to aliens. The country lives by employment, and it can not live in any other way. Then why not employ it to make sugar?

It is evident that, by any reduction whatever of its present tariffs, for this country to increase imports is for it to accept a less generous employer than itself, and that the country as a whole must suffer with every pound of imports, whether sugar or whatnot, however profitable individuals might find it to export American employment and pocket the difference between the American and foreign scale of payment therefor. The odds are 5 to 1 in favor of the importer of foreign goods, which odds are sufficient to explain the fervor of the free-trade or low-tariff propaganda in this country and the fact that almost the entire press of our seaboard and importing cities indus-

Digitized by Google

triously disparages the protective policy, and is especially bitter against our beet-sugar producers, who do not want to be sacrificed for the benefit of American and other syndicates which, on the strength of our supremacy in Cuba and the Philippines, have purchased large tracts of sugar, tobacco, rice, and other lands in those islands.

With regard to sugar, as with regard to other things, the protective policy is justifiable not only because, from the low labor standards of countries abroad, this country must always be its own most generous employer, but because there is no possibility, through any sort of development or perfection of our sugar industry, of our reaching such low costs that any other policy would mean anything else than the ultimate total destruction of sugar making here. Why? Because cost of subsistence must always be the naked cost of production, and that cost must always vary with climate, differences in soil being practically negligible when any two large national areas are considered. Therefore, in a broad, general way, cost of subsistence, hence cost of production, varies directly with latitude between the poles and the Tropics. It follows that capital, unprotected from competition from lower latitudes and unhandicapped against emigration, must constantly gravitate toward lower latitudes; and since our country is a country of an average high latitude and wholly outside of the Tropics, to lower our tariffs is to force our capital to gravitate toward the Tropics, while to increase our tariffs is to fix it more securely at home.

This gravitation of our capital toward the Tropics because of insufficient tariff protection is illustrated by the result of the Cuban treaty and the gathering of American capital in Cuba to influence its annexation and final absolute free trade between this country and that. It is said that the exploitation of Cuban iron-ore deposits for marketing in this country is already taking on large proportions; and it seems to be but a mere question of time when Cuban sugar will destroy sugar production in the United States. Outside of our own field, this gravitation of capital is illustrated by the movement of British capital to India and northern Australia, as well as to parts of Africa; and the general piling up of temperate-zone capital in such countries as Mexico and Brazil.

The facts upon which, for many years past, the arguments for protection have been based need only to be stated in an orderly way to develop an economic law which goes very far toward proving that, for this country, anything but a policy which gradually increases protection until foreign trade is entirely cut out must be a policy of national suicide for the benefit of importers. The writer has gathered these facts and has arranged them as follows:

(1) Capital desiring a given market for its output must finally locate in the area of lowest cost of production for that market.

(2) Cost of subsistence is cost of production and is represented by pay rolls, which are the measure of what is called "business."

(3) Outside of the Tropics, naked cost of subsistence varies directly with latitude, while within the Tropics it is uniform and lowest.

(4) If, in competing areas of production, differences between pay rolls or latitudes be not offset by handicaps, the following will be true:

(*a*) If such areas are in the same average latitude, capital will gravitate toward the lowest pay rolls. The higher pay rolls will contract, while the

Digitized by Google

lower will expand, until pay rolls and their incident business have become equalized throughout the competing areas.

(*b*) If such competing areas lie in appreciably different latitudes not in the Tropics, capital will gravitate toward the lowest latitudes; and pay rolls and their dependent business will be destroyed everywhere, except in that area of lowest average latitude large enough to furnish products equal to the weakest consuming power of the combined areas.

(*c*) If tropical areas are included in the competition, capital will gravitate thither and monopolize production to the utmost combined producing capacity of such areas. Pay rolls, business, and the higher civilization will be extinguished everywhere in such competing areas, except in the tropical parts, and in whatever area of lowest average latitude outside may be necessary to make good any shortage of the tropical parts in yielding products equal to the weakest consuming power of the combined areas.

The division (*c*) above, shows only too clearly what will become of our sugar industry in the continental United States if we enter upon competition in our own market with Cuba or the Philippines. We are bound to be cut off in our sugar production by the utmost combined producing power of Hawaii and Porto Rico, with which islands we never should have had free trade. To enlarge tropical competition under such circumstances is as surely to destroy commensurately our own employment in sugar production as suns continue to rise and set.

But sugar production here will not be the only thing wiped out by increased tropical competition. The Tropics have all we have and much we have not. They can produce everything that we can and things we can not. This applies not only to agricultural and orchard products but to manufactures as well. Let down our tariff dike ever so little and to that extent we have wiped out our own industries all along the line.

A sufficient protective tariff is the only handicap which can prevent our capital from gravitating outward, both toward the lower pay rolls of Europe and Japan and the lower latitudes of Mexico, Cuba, South America, the Philippines, India, southern China, northern Australia, and Africa.

The more the foregoing "law" is studied, the more just appear its conclusions and the more vividly it appears that he who comes to your committee asking for more protection is seeking something in whose benefits the whole nation must share; while he who pleads in any degree whatever for lower tariffs—it matters not upon what kind of goods—is pleading for himself alone and the opportunity to profit from the impoverishment of the nation. He alone is asking "class legislation" of the narrowest and most cruel kind.

Respectfully submitted.

ROSWELL A. BENEDICT.

SUPPLEMENTAL STATEMENT BY F. M. HATCH, REPRESENTING THE HAWAIIAN SUGAR PLANTERS' ASSOCIATION.

WASHINGTON, D. C., *December 5, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The sugar industry of Hawaii to-day shows an actual investment of over $70,000,000.

The property representing this investment is assessed for taxation purposes in an aggregate sum of $69,200,000.

Digitized by Google

There are 70 plantations, whose shares of stock are widely distributed in individual holdings. The corporate organization has been adopted as a method of cooperation, as well as to secure limited liability of investors. Without the latter the development of an industry involving as much risk as is involved in starting a sugar plantation could not have taken place in a community having so little accumulated capital as Hawaii. The result has been that almost the entire community in Hawaii is interested in, and to a large extent dependent upon, the sugar business—both directly as shareholders, sugar stocks being widely distributed among the people as above pointed out, and indirectly through connection with a hundred and one forms of business dependent upon sugar for existence.

Notwithstanding the very promising results expected, and to some extent obtained, by the new industries now being started in Hawaii, which have excited great local interest, sugar continues the mainstay of the islands. It is the sugar industry which pays the great bulk of the taxes and without which the Territory could not keep up its schools and other institutions, and would, in fact, become speedily insolvent. The vital importance of the upkeep of this industry in Hawaii to the entire population of the islands can not be too strongly emphasized.

Hawaii is handicapped by heavy cost of production in sugar and by a large marketing expense. Cultivation is intensive; replowing follows every second ratoon crop; irrigation and the fertilizers used add greatly to the cost of production.

The following table shows the capital invested, percentage of profit and dividends paid, with New York prices of raw sugar, for the last five years for which the figures are available. The results in 1907 would not materially change the averages. The returns for 1908 are not yet at hand, but the crop will be larger than in previous years, amounting to 520,000 short tons.

Year.	Capital invested.	Per cent profit.	Per cent dividend paid.	Average New York price 96 raws.
1902	$63,940,650	1.31	2.75	0.03542
1903	64,878,931	7.02	2.40	.03720
1904	65,431,573	7.02	2.96	.03974
1905	66,663,645	12.52	8.71	.04278
1906	70,913,798	7.05	6.34	.03686
Average		6.984	4.632	.03840

The five years covered in the above table represent a fair average of the sugar industry in Hawaii; they include the year 1905, when the price of raw reached the highest point in the past ten years. The average price in New York for 96 centrifugal sugars during the five years covered was 3.84 cents; this figure is above the normal price for sugars, and is higher than may reasonably be expected in the next five years under present tariff conditions.

Sugar is almost the only staple commodity that has not materially advanced in price to the consumer during the life of the Dingley tariff law. While meat, flour, lumber, shoes, steel products, and coal have advanced from 20 to 40 per cent, the average cost of sugar to the actual consumer has remained substantially the same for the past ten years.

Digitized by Google

The average price of granulated sugar during the first year of the Dingley tariff was 4.80 cents; the average price during ten years of the Dinglew law has been 4.85.

Exaggerated statements are frequently seen in regard to yields and profits in the Hawaiian sugar industry. The average yields of 4.403 short tons per acre for an eighteen months' crop in Hawaii have been made possible by the most scientific and expensive system of agriculture; the milling processes have also been developed until they are the most efficient in the world.

Cuban yields per acre through a ten-year period would be approximately 2½ tons per acre on new lands.

In Hawaii a crop requires eighteen months to mature; hence the average yield of an acre of land in ten years would be 29.354 short tons, or an average of 2.935 tons annually. In addition to this, time must be lost for frequent replowing and replanting in Hawaii.

Consideration may reasonably be asked for sugar plantations operating under average conditions. The records for the last five-year period show annual profits per hundred pounds of sugar as follows: 12 cents, 54 cents, 62.8 cents, 98.9 cents, and 58.8 cents; an average of 57.3 cents.

This demonstrates how relatively small and uncertain the margin of profit is: the wide fluctuations in the world's price of sugar makes the uncertainty even more pronounced.

This average profit on Hawaiian sugar production during the last five-year period of about 57.3 cents per hundred pounds was approximately the same as that of the beet-sugar producers of the United States. If the duty had been one-half cent per pound less, the earnings would have been about 7.3 cents per hundred pounds.

A reduction of one-half cent per pound on the sugar tariff within the last five-year period would have made a decrease of 6.06 per cent on the total earnings of Hawaiian sugar plantations. This would more than have wiped out all the dividends paid during those years, and would have left the entire industry without any return on the capital invested after allowing for depreciation.

No agricultural or industrial enterprise can reasonably be expected to do business on a smaller margin than 7 per cent average earnings where there are conditions of hazard such as inevitably exist in the sugar industry.

Any material reduction in the sugar schedules would cause an immediate and crushing loss on existing properties and a complete demoralization of the commerce and industrial life of Hawaii. Hawai is practically a one-crop country. No remunerative crop exists to replace sugar if this should have to be abandoned. The capital invested in sugar would become almost a total loss, the most expensive parts of sugar plants not being available for other purposes.

The loss would not be confined to the sugar business, much more than the fate of a single industry is involved, so far as Hawaii is concerned.

A disorganization of the sugar industry would be a public disaster, the effect of which upon the Territory as a whole would be immeasurable.

F. M. HATCH.

Digitized by Google

OTIS H. CUTLER, NEW YORK CITY, THINKS REMOVAL OF DUTY FROM SUGAR WOULD NOT BENEFIT CONSUMERS.

32 CORTLANDT STREET,
New York, December 31, 1908.
(*Home address, Suffern, Rockland County, N. Y.*)

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR SIR: I am a stockholder in a sugar factory and lands in Porto Rico, along with many other of my American friends who have invested money in that island since its annexation to this country, and I beg to call your attention to the following facts:

We are unable to produce sugar in competition with Cuban planters, who have the advantage of cheaper and more fertile lands.

The sugar industry of Porto Rico, also that of Louisiana and the entire beet-sugar industry of the United States, would be ruined by the removal of the duty on raw sugar, and no one would be benefited except the refiner.

Those who are advocating a lower schedule of sugar duties are doing so through the influence of the refiners and the owners of Cuban estates. (Many of the large interests among the refiners have in the last few years invested heavily in Cuban lands and factories producing raw sugar.)

I do not believe that any reduction of the present duty will benefit in the slightest degree the American consumer, any more than has the 20 per cent rebate given to Cuban sugar, which rebate has been entirely absorbed by the refiners, the price of refined sugar to the consumer never having been lowered; in fact it has been higher than before; therefore I beg to ask your consideration, not only for our domestic sugar industries, but also for those who have invested their money in Porto Rico, because it was American soil and had the present protection given the sugar industry.

Yours, very truly, OTIS H. CUTLER,
American Brake Shoe and Foundry Co.

PIERRE J. SMITH, OF NEW YORK CITY, CALLS ATTENTION TO THE QUOTED PRICE OF SUGAR FOR EXPORT.

138 FRONT STREET,
New York, December 31, 1908.

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.

SIR: Referring to the recent testimony of Mr. C. A. Spreckels, recommending free raw and refined sugar, I would now call your attention to the clippings at the foot, which were taken from to-day's Journal of Commerce and Commercial Bulletin, by which you will see that even under the present conditions our refiners are selling for export at nearly 2 cents under their New York price.

German granulated is to-day quoted 12s. 1½d. f. o. b. Hamburg, equal to 4.72 cents duty paid, delivered New York, against our spot price of 4.50 cents net.

Respectfully, yours, PIERRE J. SMITH.
SMITH & SCHIPPER.

Digitized by Google

EXHIBIT A.

ENGLAND BUYS OUR SUGAR—AMERICAN AND HOWELL SELL 5,000 BARRELS REFINED AT 2.70-CENT BASIS.

The sugar trade was interested yesterday in the revival of the export demand for refined, sales of fully 5,000 barrels being made by the American and Howell for shipment to South Africa and the United Kingdom, the price reported being 2.70 cents.

The low price, as compared with the domestic quotation of 4.50 cents net, is explained by the drawback of 90 per cent of the duty allowed by the Government on such shipments, the design being to stimulate export trade.

Refiners, it was pointed out, naturally welcome foreign business at a time when, because of stagnation in the domestic trade, there is an accumulation of refined which they wish to work off, even though little or no profit is involved.

EXHIBIT B.

It is generally reported on the street that the American Sugar Refining Company has sold sugar for export to England on the basis of 2.60 cents, or nearly 2 cents per pound under their f. o. b. New York quotation, showing what could be done in this market if the tariff on sugar was removed.—Smith & Schipper.

SUGAR COST.

COST OF PRODUCTION OF MARKETABLE GRANULATED SUGAR IN UNITED STATES FROM CUBAN SUGAR CANE AND DOMESTIC BEET ROOT, BY EDW. F. DYER, CLEVELAND, OHIO.

CLEVELAND, OHIO, *December 5, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: The consumption of sugar in the United States in 1907, according to Willett & Gray's Statistical Journal, was 2,993,979 tons. Under the present tariff rate, 43 per cent of this sugar is free of duty; 45 per cent comes in under a concession of 20 per cent from duty; but 12 per cent pays full duty. This is shown by the following table:

TABLE I.—*Showing consumption of sugar in 1907, per Willett & Gray, in tons of 2,000 pounds.*

Domestic:			
Beet	375,410		
Cane	264,968		
Maple	10,000		
Molasses	6,249		
		656,627	
Hawaiian		418,102	
Porto Rican		212,853	
Total duty free, 43 per cent			1,287,582
Cuban sugar, 20 per cent concession		1,340,400	
Philippines 25 per cent concession		10,700	
Total tariff-concession sugar, 45 per cent			1,351,100
Sugar on which full duty is paid, 12 per cent			355,297
Total consumption for 1907			2,993,979

Digitized by Google

The cost of production of either cane or beet sugar is an amount variable with the location and conditions under which it is produced. In making a comparison it is necessary to place them at a parity as near as possible. To do this, I take results obtained from the best factories of both countries under conditions that are favorable to both industries.

It is quite true that the cost of production of cane sugar in Cuba in the old sections with their antiquated methods is higher than will be shown in my statements.

The same is also true regarding the production of beet sugar under modern methods in the less favored localities in the United States.

Preceding the detailed statement of cost of manufacturing of cane and beet sugar, I submit the following which will show that the figures given in Table III are within the limits of practice:

TABLE II.—*Showing the average of Cuban and Hawaiian estates.*

	Average 16 Cuban.	Average 7 Hawaiian.	Per Table IV.
Per cent sugar in cane	13.94	14.79	14.00
Purity	84.16	88.88	84.00
Per cent sugar made	10.86	12.88	12.39
Pounds per ton of cane	217.20	257.60	247.80
Gallons molasses	5.22	.....	2.80

	Highest yields—	
	16 Cuban works.	7 Hawaiian works.
Highest per cent sugar in cane	16.28	15.73
Highest purity of cane	91.25	90.35
Highest per cent sugar made	12.45	14.01
Highest pounds sugar per ton cane	249.00	280.20

The difference in results in the foregoing table in favor of the Hawaiian sugar houses is owing to better methods of the latter, which may be equaled by the best Cuban factories.

TABLE III.—*Showing statement of cost of production for sugar from Cuban sugar cane and domestic sugar beets.*

	Sugar cane.		Sugar beets.	
	Per ton.		*Per ton.*	
Cost of growing	$1.6964		$3.000	
Freight	.2567		.350	
Agricultural experiments	.0479		.172	
Net cost delivered		$2.001		$4.522
Operating expenses:				
Labor	.2330		.5541	
Fuel	.0444		.42	
Lime	.0025		.21	
Chemicals	.0061		.0313	
Lubricants and waste	.0067		.0100	
Filter cloth	.0111		.050	
Laboratory supplies	.0028		.0083	
Packages, bags	.1167		.3400	
Cutter knives and files	.....		.0074	
Miscellaneous	.0056		.0150	
		0.4289		1.6461

Digitized by Google

TABLE III.—*Showing statement of cost of production for sugar from Cuban sugar cane and domestic sugar beets*—Continued.

	Sugar cane.	Sugar beets.
General expense:	*Per ton.*	*Per ton.*
Administration	$0.0555	$0.160
Maintenance	.2778	.50
Interest	.3333	.6250
Taxes	.0167	.1333
Insurance	.0013	.0250
	$0.6846	$1.4433
Total cost	3.1145	7.6114

The above statement shows the cost of production and the manufacturing cost of Cuban sugar cane and sugar beets in the United States. It may be noted that it costs double the amount to produce a ton of beets than a ton of sugar cane. This is particularly due to the fact that the yield of sugar cane is greater per acre, averaging 30 tons, for a period of ten years, and requires planting only once during that time, while the sugar beet yields in the best localities 12 tons per acre and requires planting every year.

The operation of a beet plant is much more complex than that of manufacturing raw cane sugar. In the item of fuel, the well-constructed cane plant is supplied at comparatively no cost by using the cane after the sugar has been extracted, which furnishes all the fuel required.

The manufacture of beet sugar requires 12 to 14 per cent on the weight of the beets in coal for fuel.

In the item of labor, supplies, taxes, and like items the cost is much greater, more than double, in beet sugar plants, as may be seen by referring to the above table.

The cost of production of sugar from either plant varies according to the sugar contained in the plant and its degree of purity. I submit a table showing the yield of both in raw and refined cane sugar and granulated beet sugar from their respective plants of the same analysis:

TABLE IV.—*Cost of production in terms of raw and refined sugar from materials of varying quality.*

Analysis.		Per ton sugar cane.				Per ton sugar beet.	
		96 per cent raw sugar.		Refined f. o. b. New York.		Granulated white sugar.	
Per cent sugar.	Purity.	Pounds.	Cost per pound.	Cost per pound.	With duty.	Pounds.	Cost per pound.
			Cents.	*Cents.*	*Cents.*		*Cents.*
14	84	247	1.261	1.861	3.209	208.5	3.65
15	84	266	1.171	1.766	3.114	224.8	3.386
16	84	286	1.089	1.679	3.027	241.1	3.157
17	84	305	1.021	1.606	2.954	257.4	2.957

No account of molasses is taken in either case.

The cost of refined sugar is found by reducing the raw sugar to terms of refined sugar and adding cost of—

Digitized by Google

		Cents.
Freight from Cuba	per 100 pounds	10.0
Marine insurance, basis of 2½ cents c. and f		1.0
Mending, weighing, and tare		1.5
Lighterage, if any		3.0
Brokerage		.5
Commission, at 2½ cents		6.0
Per pound		.22
Duty 1.685 cents, less 0.337 (20 per cent differential)		1.348
Cost of refining (not including loss)		.30
Total		1.868
The average net price, 96 per cent raws f. o. b. Cuba, past ten years		2.247
The average net price, 96 per cent raws f. o. b. Cuba, past three years		2.15

By referring to Table IV it may be seen that the average sugar cane 14 per cent, 84 purity, will yield 247 pounds sugar per ton, which is shown to be substantially the same as shown as Cuban and Hawaiian results in Table II. That the same sugar may be laid down, refined, and duty paid, f. o. b. New York for 3.382 cents per pound.

It is also shown by the same table that the average sugar from sugar beets of 15 per cent, 84 purity, which is the average of beets grown in the United States, will yield 224.8 pounds of granulated sugar, at a cost of 3.386 cents, as substantiated by Table V. The evidence is that the cost of Cuban sugar with present duty laid down and refined in New York without profit to the producer is nearly the same as the cost of producing dry granulated beet sugar without profit to its producer.

Table IV shows that in the production of sugar from either cane or beet, under existing duty, from plants containing less than 16 per cent sugar, the advantage is in favor of production of sugar from sugar cane, but from plants containing above 17 per cent sugar the cost of production favors the sugar beet. This advantage, however, is lost to the manufacturer of beet sugar for the reason that it must include the profits to the farmer. The producer of sugar cane has another advantage in the fact that it requires much less labor to produce sugar cane than it does to grow sugar beets, and it is easily within the resources of a cane factory to grow and harvest its own sugar cane. But with a beet factory the requirements in the way of intensive cultivation, labor, implements, and cost is so great as to make it too unwieldly and impractical for the beet-sugar factory to grow its own crop.

The following table shows the cost of production of sugar from ten modern and well-located factories in the United States, and is offered in corroboration of Table IV:

TABLE V.—*Cost of making beet sugar in seven representative factories.*

Analysis.		Cost.	
Per cent sugar.	Purity.	Per ton beets.	Per pound granulated.
14.68	82.8	8.30	3.461
14.80	83.6	8.223	3.583
15.05	84.5	8.155	3.630
15.10	82.1	9.096	3.650
15.49	82.3	8.493	3.532
15.54	83.9	9.032	3.574
14.73	81.4	8.356	4.695
15.055	82.9	8.522	3.732

Digitized by Google

From a study of Tables II, III, IV, and V, it may be seen that the quality of either cane or beet makes an enormous difference in the cost of production of sugar. The beet grower by modern methods and intensive cultivation has reached nearly the maximum of what may be expected from that plant, while the cane-grower, on the other hand, has not improved his methods for generations, it being quite easy for him to increase both the yield in tons and sugar percentage by improving his methods in both field and factory.

The development of the Cuban sugar industry is a question of finance and improvement of methods and not one of a preferential tariff.

I lay particular stress on the cost of production and refining of Cuban cane sugar as compared with that of production of domestic beet sugar, for the reason that Cuba is our principal source of supply and the greatest competitor of the American market. It is the country that the producer of sugar in the United States has most to fear.

The cane sugar industry may be readily extended in a comparatively short time to produce more than the entire consumption of the United States. Only 20 per cent of the tillable land of the island is now under cultivation. The cane industry will continue to expand rapidly under the present tariff. Cuba is in a position to compete in the markets of the world, while the domestic grower of cane and beet sugar requires protection in the home market.

The price of sugar is made in Magdeburg, Germany. The market price of 96° sugar on November 25, 1908, was in Magdeburg 2.7 cents per pound. In New York, not including duty, 2.592 cents per pound, which shows that Europe is as favorable a market to-day for Cuban sugar as is New York, except for the 20 per cent concession from the Dingley tariff. It is a question as to the benefit of the 20 per cent concession to the Cuban grower. The price of Cuban sugar in New York should be 2.929 cents a pound for 96° sugar instead of the prevailing price of 2.592 cents a pound, if the benefit of such concession inures to the Cuban planter.

EDW. F. DYER,
THE DYER COMPANY,
Builders of Sugar Works.

SUGAR BEETS.

JOHN K. KELSEY, ADDISON, MICH., INTIMATES THAT THERE IS LITTLE PROFIT IN RAISING SUGAR BEETS.

ADDISON, MICH., *November 21, 1908.*

CHAIRMAN OF WAYS AND MEANS COMMITTEE,
Washington, D. C.

HONORABLE SIR: * * * I was one of the first to raise beets in this neighborhood, and each year I have been trying to make up for what I lost the year before.

This year I raised in round numbers 13¾ acres, on which I made a profit of nothing minus $2. The crop brought me $504, and it cost me $506, and still am only about 30 miles from the Blissfield, Mich., factory, where they were marketed.

Respectfully, yours, JOHN K. KELSEY.

Digitized by Google

CUBAN SUGAR AND TOBACCO.

HON. S. W. McCALL, M. C., SUBMITS LETTER OF GEN. JAMES H. WILSON RELATIVE TO CUBAN PRODUCTS.

WILMINGTON, DEL., *November 30, 1908.*

Hon. SAMUEL W. MCCALL,
Committee on Ways and Means,
House of Representatives, Washington, D. C.

DEAR SIR: Perhaps you have not forgotten that I commanded the two middle departments of Cuba, including Matanzas and Santa Clara, during the first occupation. My official reports on the conditions prevailing in those departments are on file in the proper offices at Washington. I have since kept in close touch with the island and the political and economic conditions affecting its prosperity.

A short time ago I wrote a letter to the New York Sun, which was published in that journal August 6, 1908, and this letter was commented upon quite favorably by Boston, New York, Philadelphia, Delaware, and southern newspapers. In that letter I favored a further reduction of the duty on Cuban sugar and tobacco as the best means of promoting white immigration into Cuba and of advancing the economic prosperity, success, and tranquillity of the Cuban people and the Cuban Government.

In view of the fact that under the Monroe doctrine, which has been declared to be "the public law of the Western Hemisphere," we must, without compensation or reward of any kind, defend Cuba, as well as other American States, from foreign colonization and oppression, and under the Platt amendment to the Cuban constitution we must insure her a peaceable and stable republican government, the question naturally arises, Why should we not have our share of the profit growing out of the prosperity which we must thus insure to that island? We have incurred the enormous expense of two interventions in its behalf, and, having established a second independent Cuban Government, are about to withdraw our forces from the island and leave it to the government of its own people. But in doing this we have made no changes in the economic conditions prevailing in the island since the ratification of the Bliss Treaty, which makes a 20 per cent reduction in the duty on articles of Cuban production. In the case of sugar this amounts to about 0.34 cents per pound and leaves the duty at about 1.35 cents per pound, or approximately at 100 per cent on the cost of production on the most-favored plantations.

I am unable to make even an approximate statement of the duty on tobacco and cigars, but I am persuaded from the figures established by law and the actual practice that the duty is somewhere between 300 and 500 per cent on the cost of production.

In view of the relations existing between our country and Cuba and of the conditions prevailing in the island, I am sure the figures in the case of both sugar and tobacco are far in excess of any just requirements on the part of our Government. They are distinctly in restraint of trade and take both from Cuban capital and Cuban labor an excessive part of what they should earn.

I need not point out that, under the competition of European beet sugar, the price of cane sugar all over the world has been reduced to

Digitized by Google

figures that make it almost impossible for the most-favored countries to continue the production of cane sugar, and in such countries as Jamaica have driven the producers practically from the field. Primarily it was this reduction which brought about the revolutions in Cuba. So long as raw cane sugar brought 5 cents a pound and upward in the country of production, those countries could pay the heavy exactions of the countries of which they were colonies; but when the selling price passed below that figure, revolution and independence became necessary. I do not dwell upon the history of this economic contest, but from the time cane sugar was shut out of continental Europe by the dominion of the seas secured to Great Britain by the victory of Trafalgar down to 1895 the downward trend of prices for sugar was marked by the ruin of cane-sugar planters throughout the world.

Obviously the difficulty with Cuba, which is by far the best sugar-growing country in the world, is that with the competition of other countries on the one hand and the high American tariff on the other, there is not enough profit left in the business to properly reward capital and pay the laborers such wages as will leave them a surplus out of which to pay for the proper support and education of their children. Poverty, as you know, surely leads both to idleness and ignorance, for where a man does not enjoy a fair share of the return due to his own industry he naturally leaves his children to grow up without education or religious instruction, and, when worse comes to worst, he inevitably takes to the road or to revolution, rather than continue at work which can end only in poverty and disappointment.

If these are correct generalizations, what Cuba needs more than anything else is free trade with us in its natural and manufactured products, or, if it can not get this, such a differential allowance in the tariff as will serve as a bounty upon her own productions in competition with those of other countries.

From the first study of the question I have held that Cuba should be brought into our economic system by the establishment of a commercial union, under which free trade should exist between her and the United States in natural and manufactured products subject to an agreed tariff as between them and other foreign nations.

Under the Constitution of the United States, one of the principal effects of which is to establish a commercial union between the States and Territories constituting the Federal Union, free trade is the greatest blessing. Without this blessing the thirteen original States would long since have fallen to pieces and the new Territories would have remained largely unsettled.

But in addition to free trade between the States the Government established under the Constitution provides for the common defense, the establishment of courts of justice, and for a uniform system of post-offices and post-roads. The other incidental advantages and provisions need not be here recounted. Under the commercial union which I suggest, Cuba would have free trade with us, and in that respect would be just as well off as if she were annexed. She has her own judiciary, her own police, her own system of railways, and already enjoys the advantages of a postal union with us. Under the Monroe Doctrine we defend her just as completely as if she were already in the Union, while under the Platt amendment we give her

Digitized by Google

just what we would be compelled to give any other State under similar conditions, an interposition of the federal armed power to maintain a peaceable and stable republican government. So that for a complete enjoyment of all the benefits arising from our system of government nothing more is necessary than to establish perpetual free interchange of natural and manufactured products between the two countries under the protection of a common tariff as against other countries.

With such an arrangement as this we could well afford to guarantee the perpetual independence of the Cuban Republic, and to lay it down as an established condition precedent that she should never be annexed to the Union unless two-thirds of her own people as well as a majority of ours should consent to annexation.

Without some such arrangement as this or without some differential tariff arrangement which would operate as a bounty to Cuban products, poverty, ill-requited labor, economic confusion, dissatisfaction, and turmoil must continue in the island, and these must in turn necessitate intervention after intervention, followed at last by annexation.

The real remedy therefore—the real solution of the Cuban problem—is to establish such economic relations as will make the Cuban people prosperous and contented. So long as unlimited competition exists between her industries and those of other countries, especially between her sugar and tobacco and the beet sugar and tobacco of other countries, and as it must, grows more intense, so long will the Cuban question remain unsolved.

With a free-trade arrangement of the kind I suggest between Cuba and the United States, wages would at once rise, new plantations and new industries would be established, the island would be filled up rapidly with white immigrants from Spain and the United States, and business of all sorts would naturally tend to become more profitable than office holding and political agitation.

The importance of these changes will appear all the greater when it is considered that although two thirds of the Cuban people are white the other third is colored and holds the balance of political power. With the white population rapidly increasing, the relative importance of the colored population would correspondingly diminish. Government would become more stable, education would be disseminated more widely, and both peace and prosperity would become established conditions. The scale of living would rise, manufactures and commerce would expand, and as most of the latter would be with the United States, it is more than likely that for every ten dollars of profit realized by Cuban labor and capital nine would be expended for our natural and manufactured products and our profits would be correspondingly increased, just as they are by the business developments and expansion of our respective States and Territories.

It seems to me that it needs but little argument to prove the absolute truth of these conclusions, and I know of no man who can better supply it than yourself.

I recognize that this proposition is a radical one, but would it not be a start in the right direction and, as opportunity offers, would it not be wise to enter into a similar arrangement with Mexico and

Digitized by Google

Canada? But before passing to the consideration of our economic relations with Mexico and Canada I wish to say something more in regard to the duty on sugar.

With the late President Harrison, I hold that no people are good enough for annexation to the United States that are not good enough to receive all the privileges of American citizenship. In the case of the Philippines, which are not worth one-fiftieth as much as Cuba to us, I think every fair-minded American citizen would say they should receive the absolute right of free trade with the whole United States, just as every other State and Territory enjoys that privilege.

But on the principle that every economic question which comes before Congress is settled by a compromise, I suppose some duty will still be exacted from Philippine as well as Cuban productions, and I suggest, therefore, that in fixing the sugar schedule the tariff on all foreign-grown raw sugar, whether of beets or cane, should be reduced to a half a cent a pound, based upon the Dutch standard, with a corresponding differential in favor of both Philippine and Cuban sugar and a corresponding duty on the refined article. This would still leave a half a cent a pound protection plus the cost of transportation to American producers, whether of cane or beets, and this ought to be considered enough.

So far I have looked upon this question mainly from the Cuban and Philippine point of view, but great as are their claims and great as are the merits of the contentions in their behalf, the claims of the American people are still, to my mind, much more important.

Why should our 85,000,000 American citizens pay any duty whatever upon this prime article of consumption? While sugar was originally considered as a luxury, it is now justly regarded as one of the most necessary and valuable articles of food enjoyed by human beings. Why should it not be absolutely free to every American? Why should not every laboring man and woman, and every child and idle person, as well as every rich man, not have his cup of tea or coffee free of all tax and tariff? Considered from this point of view it may be well claimed that all raw sugar should come in free, and the only good argument against it is that our Treasury needs the revenue. But surely it is within the capabilities of Congress to find some other and less oppressive way of raising the amount that would disappear with free sugar.

Of course if a commercial union should be established with Cuba under a common tariff as against other countries, the Cuban treasury would be deprived of the duties collected on American products, and this in turn would make it necessary to provide for the Cuban deficit by an increase of internal taxation, but that, too, could readily be provided for and should in no great degree add to the burdens of the Cuban people.

As a Member of Congress from the richest of the New England States, you can not be indifferent to our trade relations with Canada, but I need not dwell upon them for they are well known to you. Many years ago, when I was manager of a New England railroad, I made strong objections to the phraseology of the interstate commerce law, under which Canadian railroads were permitted to compete with our interior rail lines in the carrying trade along the Canadian border. I contended that to permit the Canadian lines to participate freely in our carrying trade without absolute power to regulate them was just

Digitized by Google

as much of an injustice to the American railroads as it would have been to permit foreign shipping to engage in our coasting trade. I went so far as to favor the exclusion of the Canadian roads from any benefit in interstate commerce with the hope that this exclusion would increase the probability of Canadian annexation. But I have since changed my mind, for the reason that the participation of the Canadian roads in our commerce seems to have wrought no perceptible injury to our carrying trade. Meanwhile the federation of the Canadian provinces and the development of Canadian trade with the mother country appears to have drawn the Dominion closer to the mother country and to have correspondingly diminished the tendency to either a political or commercial union with the American Republic. While Prof. Goldwin Smith alleges that coalition through an interchange of population and of trade is quietly going on and may ultimately solve the problem, might it not be wise for us to use every honorable effort to bring about a commercial union with Canada under the same or similar conditions as those proposed for Cuba and Mexico? Would it not be exceedingly good business for us, inasmuch as such a union would greatly increase our commerce and strengthen our friendly relations with the Canadian people? They might reject our proposition at first, because they have become greatly attached to the idea of participating in an imperial British Government, although as yet no practicable basis has been found for such participation. But even if they did reject our proposition, would it not be farsighted for us, after arranging for the largest possible free list into Canada, to say we will let the rest of your natural and manufactured products into the United States absolutely free of duty? Would not such a measure as this tend powerfully to help on the coalition and ultimately bring about absolute free trade between the American and Canadian people?

The case of Mexico is somewhat different from that of either Cuba or Canada, and yet it might be easier of solution than either of the others. It offers a promising field for diplomatic and commercial exploitation.

The question of our commercial relations with the neighboring countries and islands is one of the first importance, and I am sure that no more promising epoch has been presented for many years for starting the preliminary work and laying down the true principles upon which an agreement should be reached. I am equally sure that you will give all the resources of your mind and influence to the consideration of the questions herein so briefly and so inadequately touched upon.

I might enlarge upon the economic as well as upon the political advantages of an American commercial union and its gradual extension to the states of Central and South America. I might point out the feasibility of such a union under the exceptional conditions which prevail between the American States and the neighboring countries in spite of the favored-nations clause of our treaties. I might consider more fully the commercial aspects of the Monroe Doctrine in contrast with its political aspects. I might point out the growing jealousy of the European governments against our progress in commerce and manufactures as well as against our increasing diplomatic and political influence in international affairs. And, finally,

Digitized by Google

I might consider whether we could properly finance the business projects and enterprises which would naturally come to us from the other members of a commercial union such as I have indicated, but any adequate statement of these questions would extend my letter to an unreasonable length. Besides, the discussion of details is more or less premature at this stage of the investigation. You will, however, recognize the far-reaching character of the underlying idea of this letter and will doubtless look at it from every point of view before making up your mind as to its feasibility.

Whatever may be your own conclusions, may I not express the hope, as one of the unnumbered mass of consumers who can not come before the committee of which you are a member, that Congress will not only make a material reduction of the sugar and tobacco schedules, but lay the foundation for much closer commercial relations than have yet existed between us and our near-by neighbors?

You are of course at liberty to make any use of this letter that you think proper.

Yours, very respectfully, JAMES H. WILSON.

MOLASSES.

[Paragraph 209.]

STATEMENT OF H. C. CHRISTIANSEN, OF NEW YORK CITY, IN FAVOR OF A REDUCTION IN THE DUTY ON MOLASSES.

MONDAY, *November 16, 1908.*

Mr. CHRISTIANSEN. My name is H. C. Christiansen. I am representing H. L. Hobart & Co., of New York. I shall detain you but a moment.

Mr. Chairman, I do not come here representing any sugar interests. We are importers of foreign molasses and also dealers in domestic molasses. In olden days imported molasses was sold on a basis of 50° polarization, and most molasses tested from 50° to 56°. In those days molasses was shipped to the United States, was boiled here, and the sugar boilers made sugar from it, leaving a residue of blackstrap. The schedule of import duties was fixed, in the past, somewhat to conform to the sugar duties; and even the present tariff bill for molasses schedule is figured somewhat on the sugar basis. With the improved methods of making sugar, the sugar producers take out every possible pound of sugar they can get, so that the boiling industry in this country does not get 56° test boiling molasses. The bulk of the molasses as made by the present large factories in all the West Indian islands contains a very low percentage of sugar, and they can get practically no more sugar out of it.

Molasses imported is also used for table and grocery purposes, but the bulk of molasses imported at the present time is of such an inferior quality that it can not be used for the table. The old sugar schedules assumed that the bulk of molasses was to be used for sugar boiling and table purposes; but on account of the changed conditions most of the molasses that comes here now is of such low test and value that it can not be used for anything but manufacturing pur-

Digitized by Google

poses; and it is really considered to-day as being a raw material, being used extensively for horse and cattle feeding, in the manufacture of castings, not only for iron, but for electrical purposes; also in the manufacture of vinegar and yeast; and but a very small percentage of the molasses imported here is of high enough test for actual table consumption.

The United States does not produce sufficient molasses to supply all of these demands, so that last year about 25,000,000 gallons of molasses were imported, most of which molasses was of low quality; and, according to the Department of Agriculture's Yearbook, the average value of all the molasses per gallon was equal to 3¾ cents. The present schedule calls for a duty of 6 cents per gallon for molasses testing over 56°; 3 cents per gallon for molasses testing between 40° and 56°; and for molasses testing under 40°, 20 per cent of the f. o. b. value. As the molasses testing under 40° is used for manufacturing purposes, and extensively by the farmers in the preparation of molasses feeds, as well as in its natural state, by mixing with chopped hay and other grain, it should be considered as a raw material and should come in free of duty; but if a duty is considered necessary, it should be a specific duty and not ad valorem. The average rate of duty on molasses imported last year (that is, all used for manufacturing purposes, testing under 40°) was a trifle less than one-half cent per gallon; so that if a specific duty is established, a rate not to exceed one-half cent per gallon should be sufficient.

Molasses testing over 40°—say up to 50°—would give a sufficient protection to the producers of molasses in this country at a maximum rate of 1½ cents a gallon, and molasses 50° to 56° at 2 cents per gallon, and molasses over 56° at 3 cents per gallon. As the entire crop of domestic cane and beet molasses is all consumed, and we have to import molasses sufficient to supply the demand for manufacturing purposes, it does not interfere with the domestic producers. New uses are being found for molasses from time to time, and in the past two years the bulk of low-test molasses has been used for cattle-feeding purposes, in addition to which experiments have been made in the making of roads; and various other industries might be established if the duty on molasses was reduced to a basis of rates not to exceed those stated above.

Mr. UNDERWOOD. You are in favor of a reduction of the duty on molasses, then?

Mr. CHRISTIANSEN. I am in favor, if not a reduction, of making a specific duty on the low-grade molasses testing under 40. At present it is in the schedule at 20 per cent of the f. o. b. value. The f. o. b. value is very hard to keep uniform.

Mr. UNDERWOOD. How would that affect the revenue?

Mr. CHRISTIANSEN. The revenue would be exactly the same—half a cent a gallon. The present rate of duty that is paid on the low-grade molasses testing under 40 figures about forty-eight one-hundredths of a cent per gallon, figuring the in-bond price or f. o. b. price at about 3 cents a gallon.

Mr. UNDERWOOD. Where is most of the molasses that comes into this country imported from?

Mr. CHRISTIANSEN. From Cuba and Porto Rico.

Digitized by Google

MAPLE SUGAR.

[Paragraph 210.]

HON. WILLIAM P. DILLINGHAM, SENATOR, FILES LETTER OF C. B. WELCH, OF RUTLAND, VT., ASKING FOR RETENTION OF PRESENT DUTY ON MAPLE SUGAR.

RUTLAND, VT., *November 28, 1908.*

Hon. WILLIAM P. DILLINGHAM,
Montpelier, Vt.

DEAR SENATOR: Your kind favor of the 27th is received.

We wrote to Congressman Foster and Plumley and to Senator Page the same time we did to you, in substance the same.

Your suggestion to have a meeting immediately of those interested who have a special knowledge of the conditions of the maple-sugar industry is a proper one.

I noticed that the Ways and Means Committee were in session at Washington and wondered whether anyone was looking after the maple sugar and sirup interests.

The facts are as stated in my last letter. If the duty is reduced, Vermont will lose all the benefit which had been hoped would come to the industry by the enactment and enforcement of the pure-food laws—

First. Because a lower duty will discourage the maker from making more, because the competition from Canada will lower the price. In face of the fact that there was a large crop made the last two seasons and the price was much lower, there is still more maple sugar in Vermont to-day than there ever was at this time of the year.

Second. There are not one-quarter of the maple trees tapped in Vermont that would be if the market for the genuine article was better and the competition from the imported article was eliminated, and also, provided the pure-food laws were more rigidly enforced.

Third. The Canadian production can be increased many times more than can possibly be made in the United States. If the duty is lowered, it will increase the importation considerable and stimulate the production of this article in Canada. If we stimulate the production in Canada, it will necessarily discourage the production in the United States.

Fourth. The importation of maple sugar into the United States is quite a large item. (See U. S. Reports.) The fact that it is imported in large quantities is evidence the duty is too low. Most every lot imported is in carloads; very little, indeed, in less than carload lots. We know of one maple-sirup maker in the West who imported 40 carloads during the season of 1905, all of which was made into adulterated maple sirup. This Canadian maple sugar is sold to the large dealers in all of the large business centers in the United States.

We hope you will be able to get this address to the Ways and Means Committee in time to be of actual benefit.

Below we give you the amount of maple sugar produced annually in Canada, taken from the Canadian census report of 1901 of the Dominion of Canada:

Digitized by Google

Maple sugar, total, Dominion of Canada.

	Pounds.
1881	20,556,049
1891	25,088,274
1901	17,804,049

Total pounds, by Provinces.

Year.	Quebec.	Ontario.	New Brunswick.	Nova Scotia.	Prince Edward Island.
	Pounds.	*Pounds.*	*Pounds.*	*Pounds.*	*Pounds.*
1881	15,687,895	4,169,706	453,124	217,481	25,998
1891	18,875,231	5,665,798	340,781	194,232	7,694
1901	13,564,801	3,912,640	207,450	112,496	1,068

There are 58,313 maple-sugar orchards in operation in all of Canada; 40,432 are located in the Province of Quebec and 17,179 in Ontario, the balance scattering.

Total pounds, by States.

[United States Census Report.]

	Sugar.	Sirup.		Sugar.	Sirup.
Vermont:	*Pounds.*	*Gallons.*	New York:	*Pounds.*	*Gallons.*
1890	14,123,927	218,000	1890	10,185,673	457,658
1900	4,479,870	100,918	1900	3,623,540	413,159
Ohio:			New Hampshire:		
1890	1,575,562	727,142	1890	2,124,515	81,997
1900	613,990	923,519	1900	441,870	41,588
Pennsylvania:			Michigan:		
1890	1,651,163	154,650	1890	1,641,402	197,775
1900	1,429,540	160,997	1900	302,715	82,997
Massachusetts:			Maine:		
1890	515,674	33,632	1890	84,537	71,818
1900	192,990	27,174	1900	5,500	41,588
West Virginia:					
1890	177,724	19,032			
1900	140,550	14,874			

Balance scattering.

Grand total for the United States.

	Maple sugar.	Maple sirup.
	Pounds.	*Gallons.*
1890	32,952,923	2,258,376
1900	11,228,770	2,056,611

Yours, truly,

C. B. WELCH,
For Maple Tree Sugar Company of Vermont.

GLUCOSE.

[Paragraph 210.]

HON. G. KÜSTERMANN, M. C., FILES CIRCULAR LETTER ISSUED BY CHARLES MORNINGSTAR & CO., NEW YORK CITY.

GENTLEMEN: In our endeavor to introduce R & W potato sirup or glucose to the confectioners of this country, we are thwarted by the

Digitized by Google

"profit (!) sharing contract" of the Corn Products Refining Company.

There are many confectioners who acknowledge the superiority of our product and who contend that R & W glucose will do work which neither cane sugar nor corn glucose can do, but who, because of this so-called "profit-sharing contract," are deprived the use of R & W glucose.

There are others, again, who feel that they have a perfect right to buy and use R & W glucose, as this product is in every way unique and a desideratum in their industry.

Notwithstanding all this, many of the confectioners are afraid of this contract, being under the impression that in buying R & W glucose they are forfeiting their rebate rights.

The Corn Products Refining Company, which has become a virtual monopoly, controlling over 75 per cent of the combined corn starch and corn glucose of this country, and dictating to those not directly under their ownership, has put under vassalage the consumers of this supposedly free country.

Should the greatest innovation in starch chemistry be put before the confectioners and other consumers, such innovation would fail of introduction and use because of the dictatorial position assumed by the Starch trust.

There is nothing more un-American than the relation of the Starch trust to the consumers of this country.

We feel that it is our just right as American citizens to compete with each and every individual or corporation. We are denied this privilege of competing, and if ever there was a measure in restraint of trade it is this selfsame so-called "profit-sharing contract" of the Corn Products Refining Company.

We believe that on careful analysis the consumer will discover that he alone has been paying unto himself the promised rebate.

This rebate, or rather said "bait," is collectible only after a term of almost two years, and in all that space of time the consumer has denied himself the privileges of consulting outside offers and opportunities. In the name of justice we beg you to repudiate this unwholesome and un-American contract and come into the markets as free men, beholden to no one. The more independent the consumer will become, the more dependent will the Starch trust become. Rebate or no rebate, the trust will be glad to find a market for its products and will feel much more inclined to meet competition in a fair spirit than draw down upon itself the ignominy of public disapproval.

We are glad to be able to tell you that there are many confectioners who have thrown off the yoke of contract and have disdained to bind themselves, in order that they might avail themselves of independent purchase in open market, and we feel that in the end they will fare much better than those who have sold their birthright for a far-removed mess of pottage.

Respectfully,

CHAS. MORNINGSTAR & CO.,
32 Park Place, New York.

Digitized by Google

CONFECTIONERY.

[Paragraph 212.]

MEMORIAL OF ITALIAN CHAMBER OF COMMERCE OF NEW YORK FOR REDUCTION OF DUTY ON CERTAIN CONFECTIONERY.

WASHINGTON, D. C., *December 1, 1908.*

COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

GENTLEMEN: This chamber recommends the reduction of the present duty of 50 per cent to 35 per cent ad valorem (par. 212) on confectionery valued at more than 15 cents per pound which is not manufactured in the United States, and therefore does not compete with any domestic production. Such is, for instance, "torrone," an Italian specialty of nougat, made of sugar, almonds, white of eggs, and honey, all materials which are cheaper in this country than in the country where this article is produced. Such specialties, owing to climate or the secret formula of manufacture, are not produced in this country, or can not be produced with the characters required by the consumers of such articles, and to impose a burden of 50 per cent ad valorem on their importation is to put them, by the consequent increase of cost, beyond the reach of classes which would otherwise be consumers, and thus deprives the revenue of an income that would, with a lower rate, be available through increased demand.

Respectfully submitted.

E. MARIANI, *Vice-President,*
For the Italian Chamber of Commerce in New York.

THE GEORGE CLOSE COMPANY, CAMBRIDGE, MASS., MANUFACTURING CONFECTIONERS, ASKS TO HAVE THE PRESENT DUTY ON CONFECTIONERY RETAINED.

CAMBRIDGE, MASS., *December 8, 1908.*

Hon. SAMUEL W. MCCALL,
Washington, D. C.

DEAR FRIEND: I take the liberty to drop you a few lines, and I hope that you will forgive me beforehand, for I know how bothered and bored you must be with the perplexities of tariff revision. So I am going to make my letter just as short as I can and boil my story down. The facts are most of the leading confectioners throughout the entire country do not wish to have any change made, if possible, with sugar; but if by chance there should be a change in the tariff on sugar, we hope and pray that you will see to it that it is only in proportion with the tariff that now exists.

If confectionery, commonly known as "candy," should be absolutely free, it would mean a tremendous injury to the business in the United States. Here let me say that a careful canvass has been made by the proper official of the National Confectioners' Association. The members of the aforesaid association consist of all the leading confectioners of the country. The result of this canvass is they are almost

Digitized by Google

a unit on this question. So you see I am speaking for the confectioners of the country.

I suppose it is safe to say that we pay our help about three times as much as they pay in Germany, France, or England.

You know the story as well and much better than I do. We should be happy on this question if it is let alone. A word to the wise is sufficient.

Wishing you and yours a happy Christmas, I remain,

Very truly, yours,

GEORGE CLOSE.

THE NATIONAL CONFECTIONERS' ASSOCIATION, ST. LOUIS, MO., WISHES PRESENT DUTIES UNDISTURBED.

ST. LOUIS, DECEMBER 12, 1908.

Hon. SERENO E. PAYNE,
Chairman Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR SIR: I submit this brief in the name of the National Confectioners' Association of the United States.

The membership of said association comprises 335 manufacturing confectioners located throughout the various States of the United States and 187 allied industries.

That your honorable committee might know the views and wishes not of individual manufacturers, but of an industry, I solicited of each member of the National Confectioners' Association his views on the subject of the tariff on confectionery and the tariff on the materials of which same is made.

The great majority are in favor of making no change in the existing tariff conditions governing confectionery, the present regulation being as set forth in Schedule E, paragraph 212, in act of July 24, 1897, as follows:

212. Sugar candy and all confectionery not specially provided for in this act, valued at fifteen cents per pound or less, and on sugars after being refined, when tinctured, colored, or in any way adulterated, four cents per pound and fifteen per centum ad valorem; valued at more than fifteen cents per pound, fifty per centum ad valorem. The weight and the value of the immediate coverings, other than the outer packing case or other covering, shall be included in the dutiable weight and the value of the merchandise.

The provision, however, is made that if your honorable committee decides to recommend reductions of consequence in the tariff on materials of which confectionery is made, that corresponding reductions in the tariff on confectionery will be acceptable to the majority of the manufacturers of confectionery in the United States.

The principal ingredients of which confectionery is made are, in respect to their importance, as follows—the numbers opposite each name indicating the paragraph number in the present existing tariff on imports into the United States:

209, sugar; 281–282, chocolate and cocoa butter; 210, glucose or corn sirup; 269–272, nuts; 262–268, fruits; 263, fruits (preserved, etc.); 285, starch; 29, licorice; 23, gelatin; 41, peppermint oil; 210, maple sugar and sirup; 3, essential oils.

Digitized by Google

Having carefully reviewed the hearings before your honorable committee on the subject of the tariff on the above-stated articles and items, I feel we can add little of value to the information submitted by the manufacturers of same.

So far as the present duty on confectionery is concerned, it offers no advantage to the manufacturers of the United States by which their profits may be made abnormal.

The average net profit of the average large manufacturing confectioner is from 2½ to 5 per cent.

As the government records of imports show, confectionery, to some extent, is now being imported into the United States.

The cost of labor in this country is considerably more than the cost of labor in producing confectionery in foreign countries.

The cheapest wages paid in the United States vary from $3.50 per week to $6 per week, against $1.50 per week to $2.50 per week in England.

The average wages paid in the United States vary from $10 per week to $15 per week, against $5 per week to $10 per week in England.

So far as the mechanical equipment of confectionery factories is concerned, the United States is on a parity with foreign countries.

In establishing a tariff on confectionery, there should also be taken into consideration the possibilities of competition with Canada, which country, so far as its cost of production is concerned, is able to compete on a lower cost basis with the United States, allowing the same basis of costs for raw materials.

Respectfully submitted.

NATIONAL CONFECTIONERS' ASSOCIATION OF THE UNITED STATES,
V. L. PRICE, *Chairman Executive Committee.*

Digitized by Google

Digitized by Google

Digitized by Google

Digitized by Google

Digitized by Google